

Akelius Residential Property AB (publ)

Annual Report 2014

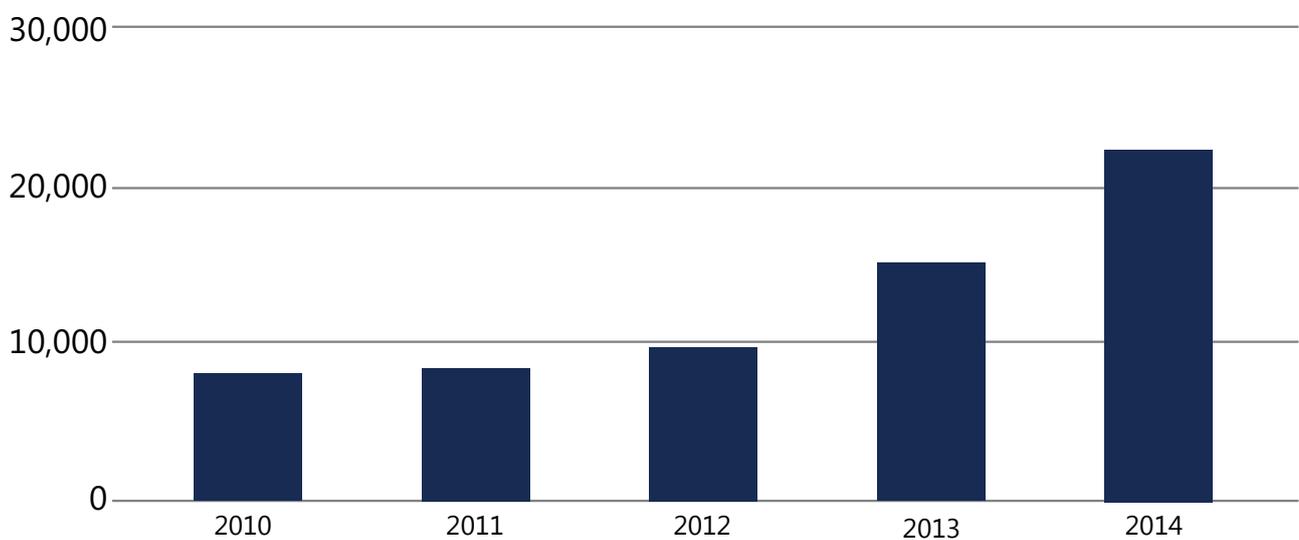


Brent House, London, England

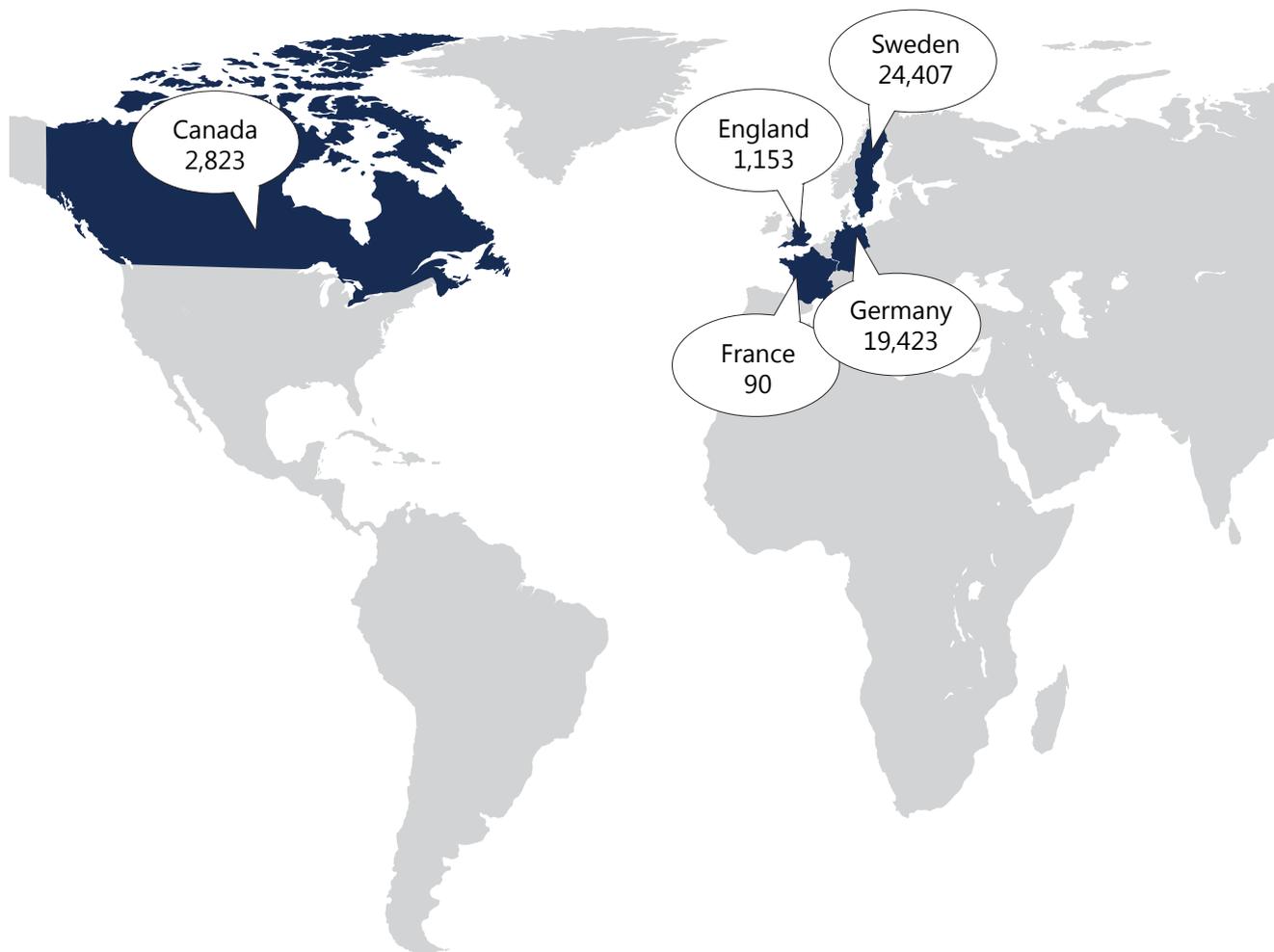
Akelius at a glance

- 48,000 apartments in five countries
- SEK 58 billion in fair value of properties
- SEK 17,000 per square metre in fair value of properties
- 38 per cent equity to assets ratio
- SEK 4 billion preferred equity
- 454 employees

Equity trend, SEK millions



Apartment portfolio as of 31 December 2014



Fair value of properties

	Share, per cent	SEK million	SEK/sq m	Required yield, per cent
Sweden	51	29,571	14,899	4.78
Germany	37	21,171	16,752	4.72
Canada	6	3,432	21,808	4.55
England	6	3,395	53,606	4.36
France	0	166	60,732	4.11
Total	100	57,736	16,629	4.72

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The audited statutory annual report, which comprises directors' report and financial statements, comprises the pages 6 to 97. In the event of conflict in interpretation or differences between this report and the Swedish version, the Swedish version will have priority.

Enhanced organisation for better living

During the year we strengthened our organisation with two hundred new employees, partly due to a larger property portfolio but above all to provide our current and future tenants a better living. We recruited forty new construction managers for upgrading, a newly established service centers in Germany with ten employees, nearly ten people in IT, to name a few. The Board was enhanced by the addition of two new members, Staffan Jufors - with long experience as former CEO of Volvo Trucks - and Michael Brusberg - former CEO of Jeppesen / Boeing Sweden.

In total during the year, we invested SEK 1.9 billion for better living. These investments mean, among other things, that 4,000 families have been able to move into full upgraded apartments. Investment has also meant that we were able to create hundreds of new apartments, through densification and the conversion of existing properties. In addition, several energy projects, upgrading of entrances, stairwells, gardens and playgrounds were implemented.

In total, we bought 7,800 apartments, the largest number in Berlin - 3,100 apartments. The single largest deal was Hugo Åberg in Malmö with 1,800 apartments. We established operations in two new major cities; Paris and Montreal. In London, we bought 1,200 apartments, of which 900 apartments from a fellow subsidiaries.

Throughout the year, we sold a total of 1,300 apartments. The selling price was 14 percent above fair value at the beginning of the year.

The loan-to-value ratio decreased from 56 per cent to 52 per cent, partly as a result of the issuance of preference shares. Our average interest rate dropped from 4.8 to 3.9 percent. The interest coverage ratio rose thus sharply, from 1.2 to 1.5.

At the end of the year, 77 percent of the portfolio was located in Berlin, Hamburg, London, Toronto, Montreal, Paris, Stockholm, Gothenburg and the Öresund Region. Residential properties in major cities provide low risk, but at the same time strong growth. For comparable properties, net operating income increased by 7.1 per cent and rental income by 3.4 per cent.

Pål Ahlsén
CEO, Managing Director

Housing in metropolises

Growing metropolises

Akelius buys, develops, upgrades and manages residential properties. Property holdings are concentrated in metropolitan areas exhibiting strong growth. We believe that metropolitan areas will continue to grow quickly to the detriment of smaller cities and communities.

Ten-year rule

Akelius applies the ten-year rule, meaning that residential properties should be focus on properties in cities:

- with growing incomes and populations;
- in attractive cities with soul;
- in city districts or suburbs that we believe will be improved; and
- in cities that show potential, often potential for upgrade.

Additionally, the ten-year rule says that the total return over ten years is more important than the initial yield.

As of December 2014, 77 per cent of the portfolio is situated in Berlin, Hamburg, London, Paris, Toronto, Montreal, Greater Stockholm, Greater Gothenburg and the Öresund Region. The combination of apartments in good locations in metropolitan areas with growing populations minimises the vacancy risk and provides strong growth in rent and operating surplus.

Acquire via cherry picking

We prefer to make many smaller purchases of exactly the right properties – to cherry pick – rather than a smaller number of larger purchases of not quite the right properties.

Over the past four years, we have completed 200 transactions involving a total of 23,000 apartments, for a total of SEK 22 billion, including SEK 10 billion in 2014.

The purchases follow a well-proven procedure covering everything from due diligence to budgets and the basis for a decision. This is linked to clear criteria for purchases and enables us to act quickly.

Market knowledge

We make sure that we have a very good market knowledge. Essentially, all purchases are made in city districts or blocks where we already own or have owned properties. This makes it relatively easy to correctly assess everything from rent and vacancy levels to price and return levels.

Local purchases ensure realistic assumptions

Purchases are made locally. Each regional office is responsible for purchases in its region. Local purchases ensure realistic assumptions of both income and costs. The regional office must then deliver on the assumptions made during the purchase. Property purchases are regularly followed up.

Twenty years of experience ensures accuracy

With twenty years of experience of property management, we can accurately estimate the expenses for upgrades, maintenance, operation and administration.

Cash purchases

Our strong financial position has enabled us to make cash payments for all purchases over the past six years. Combined with our ability to act quickly, sellers find Akelius an attractive buyer.

Sell fully developed

We sell fully-developed properties, that have reached their full potential, primarily upgraded properties. Conversions to tenant-owned apartments is another large share market. We also sell properties in important commercial space. Over the past four years, we have sold properties for SEK 7 billion, mainly in Sweden, including SEK 1 billion in 2014.



28 rue Hermel, Paris, France. See map on page 33.
Purchased in 2014, our first property in Paris. All apartments will be upgraded to First Class standard.



Mountain Place, Montreal, Canada, see map on page 25.
Mountain Place in Montreal, Golden Square Mile, with 178 residential units and 3 commercial units in A-location, was acquired in December 2014. Purchase price was SEK 17,280 per sqm. In 2015, Akelius will upgrade one of the commercial units to use it for its own regional management office.

Upgrading for better living

4,000 apartments upgraded in 2014

More people are seeking rental apartments with the same standard as newly-built condominiums. Our response to this change in demand is to upgrade our properties to First Class.

Over the past four years, we have upgraded 14,000 apartments for a total of SEK 3.5 billion. During 2014, First Class investments totalled SEK 1 billion.

Essentially only vacant apartments are upgraded. The idea is that no tenant should be forced to accept a higher standard and thereby higher rent against their will. However, existing tenants can of course have their apartments upgraded if they so wish.

Condominium standard

We upgrade the apartments to a standard on a level with newly-built condominiums, and considerably higher than newly-built rental apartments. We upgrade apartments, façades, entrances and stairwells. In order to ensure exactly the right quality and standard for long-term sustainability and appeal, two architects spent a year shaping the First Class concept. The results are summarised in the book *Akelius Living*. The apartments are fitted with quality German kitchens, Swedish parquet flooring while the bathrooms are fitted with sanitary porcelain from both Sweden and Germany. Rectified tiles and clinkers are imported from Italy.

Energy and renovation

Aside from upgrading to First Class, we also invest heavily in energy efficiency, attic conversions and converting commercial premises into apartments. We densify when possible.

StreamLine Production lowers upgrade costs

Centralised purchasing

Material purchasing is centralised and standardised. The centralised purchasing of several hundred thousand square metres of parquet flooring, thousands of kitchens and several hundred tonnes of tiles and clinkers provides volume discounts and exactly the right quality and standard that tenants want.

Logistics decisive

Logistics are decisive for keeping costs under control.

In order to manage the logistics – and the administration – of the upgrades, we have developed a support system. This system simplifies, among other things, logistics and cost control considerably. The system was introduced at the beginning of 2014.

Internal coordination

We continually focus on internal coordination resources to reduce both the time and the cost of the upgrades. Moreover, more construction managers means improved quality control.

Long-term perspective

Upgrading building and apartments is a process that takes time. Planning and implementation is facilitated by a long-term perspective. We build efficient structures in all countries which over time provides the best quality and long-term profitability.

Reinvested profits

With few exceptions, most profits are reinvested in the company. Since the start in 1994, the strategy has been to reinvest profits. This enables growth and stability and helps us in focusing on long-term profitability.



Akelius standard kitchen, example from England.



Akelius standard bathroom, example from England.

First-class personnel

Akelius university provides First-class education

In 2015, the fourth class of Residential Real Estate students will graduate from Akelius University. As a result, more than one hundred and fifty employees will have then graduated from Akelius University.

Relevant education

Our goal is to provide our personnel with the most relevant education among the world's largest property companies. First-class result only achieved by First-class personnel.

Each class studies for one year, including one to two weeks in Cyprus, Canada, Sweden and Germany. The students receive extensive study materials for home studies.

Most students already have academic qualifications and work experience. The course provides expertise in calculation, property and asset management, upgrades and projects, letting and service, property purchases and sales, property valuations and verbal and written presentations. The students write reports and deliver a number of presentations in English, the Group's corporate language. Current development projects at Akelius provide the basis for their final projects.

Postgraduate studies

Graduates from Akelius University can continue with postgraduate studies. In 2015, we will offer courses in leadership. In 2014 we focused on negotiation, media, calculation and Excel.

Delegation provides efficiency and attractiveness

Leading expertise in modern property management enables us to make better decisions. We can delegate more decisions, which makes us more effective. A high level of delegation makes us more interesting and attractive as an employer.

Internal recruitment

We encourage internal recruitment. Employees with relevant knowledge and experience of making decisions make us more self-sufficient when recruiting new managers.

All countries managers have been recruited internally and have gone to the Akelius' internal training program.

Brainee program

In 2012, Akelius launched its first trainee programme. We call it Brainee. In 2014, we launched a new two-years brainee programme, with two trainees from Germany and five from Sweden. Five of them study our property programme and two study our accounting and finance programme.

Half the time they are stationed at different overseas offices, and the rest of the time at their home offices. The programme includes practical experience in letting, property and asset management, controlling, transactions and valuation. The final six months are spent specialising.



Akelius University, Toronto, September 2014, presentation review.



Akelius University, Toronto, September 2014, Dale Carnegie class.

20 years in Sweden

Since the start in Gothenburg in 1994 we have built up a residential property portfolio in Sweden that contains 24,500 apartments. 71 per cent of our holdings in Sweden are located in fast-growing cities in Greater Stockholm, Greater Gothenburg and the Öresund Region. The properties are managed by 200 employees at 12 local offices.

3.7 per cent growth in average rent

Slightly more than half of the growth in rent is the result of new lets while the other half is a result of the annual rent negotiations with the Swedish Union of Tenants.

1,800 apartments purchased in Malmö

In November we purchased the so-called Hugo Åberg portfolio with 1,800 apartments in Malmö.

During the year, we sold 1,300 apartments, to both tenant-owners' associations and the investment market. The selling prices were on average 13 per cent higher than the fair value at the beginning of the year.

During the year we sold all our properties in Enköping, Luleå, Uddevalla and Åre. A geographically concentrated property portfolio enhances the efficiency in asset management. The sale proceeds were reinvested in properties with rent potential.

Regulated rental market

Rents have to be negotiated with the Union of Tenants. In these negotiations the guideline is the so-called utility value. This regulation has resulted in too low rent levels, which in turn has led to too few new rental dwellings and consequently a housing shortage in all growing cities. The shortage is especially large in Stockholm, Gothenburg, Malmö and university cities. This also results in low risks for property owners when it comes to vacancy rates and rental income.



Total return, properties, per cent

Operating surplus	4.0
Change in value	3.1
Total	7.1

Fair value of properties, SEK millions

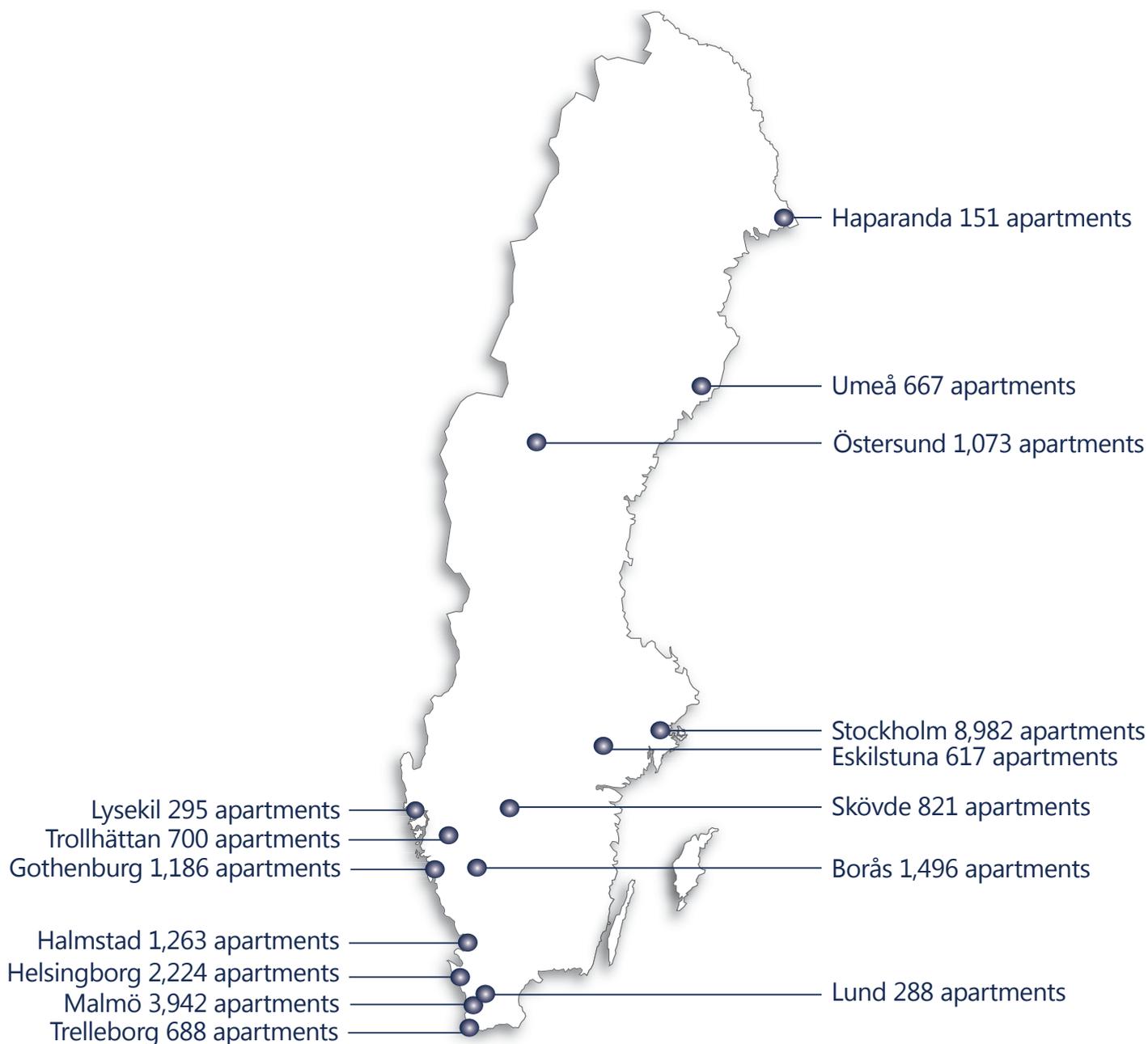
Opening	26,797
Change in value	837
Investments	932
Purchases	2,078
Sales	-1,072
Closing	29,571

Required yield, fair value assessment, per cent

Opening	4.84
Purchases	-0.02
Sales	-0.01
Comparable	-0.02
Closing	4.78

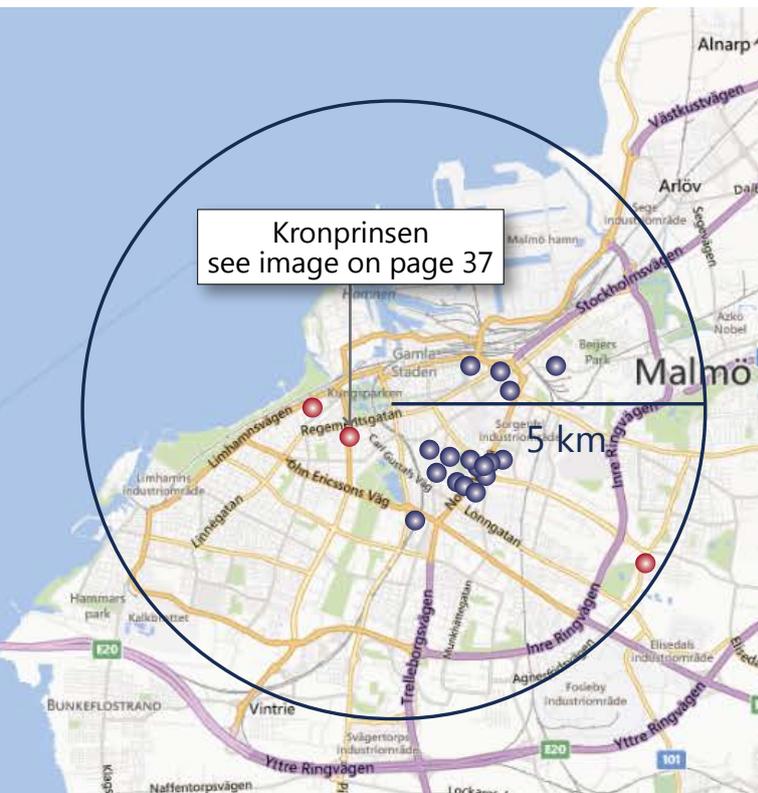
Property holdings as of 31 December 2014

	Square metres, thousands			Per cent	
	Apartments	Commercial	Total	Real vacancy	Share of total portfolio
Greater Stockholm	672	47	719	0.4	20
Malmö	258	84	342	0.1	9
Helsingborg	161	10	170	0.4	5
Gothenburg	72	7	80	0.0	2
Halmstad	77	14	92	0.1	3
Borås	100	5	105	1.7	2
Östersund	66	17	83	0.9	2
Other	280	115	394	0.4	8
Total	1,686	299	1,985	0.4	51

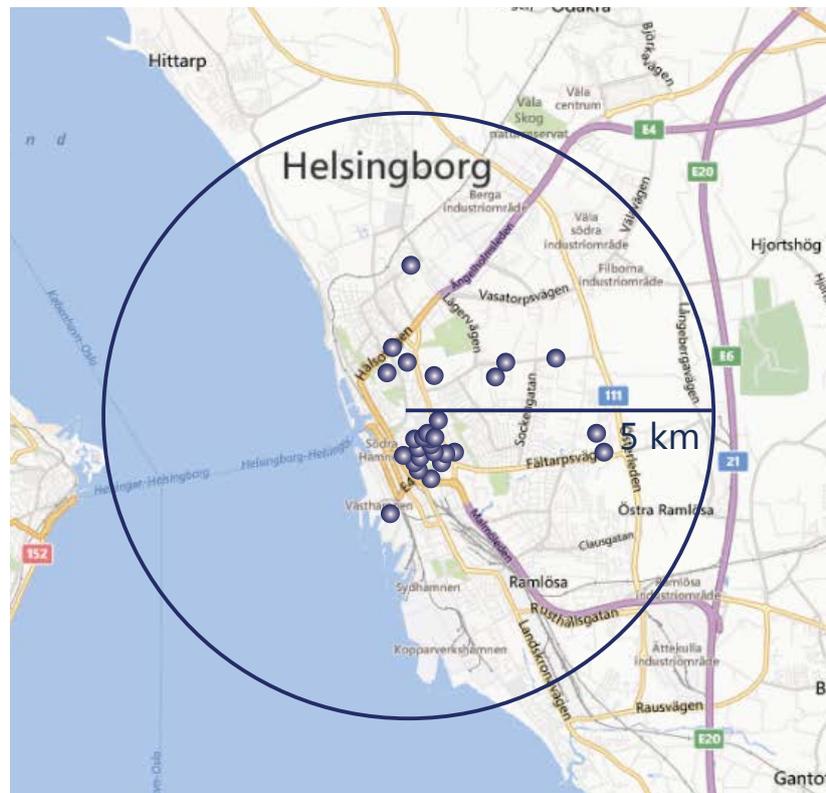




Greater Stockholm
 8,982 apartments
 1,168 SEK/sq m/year in rent
 2.2 m inhabitants
 16% population growth in 10 years

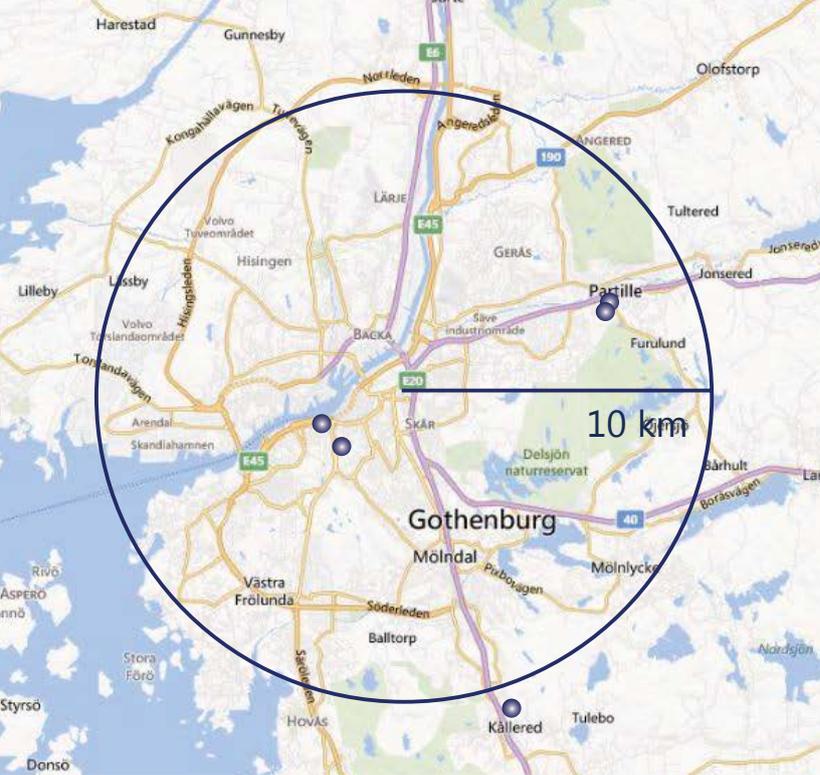


Malmö
 3,942 apartments
 1,224 SEK/sq m/year in rent
 0.3 m inhabitants
 17% population growth in 10 years

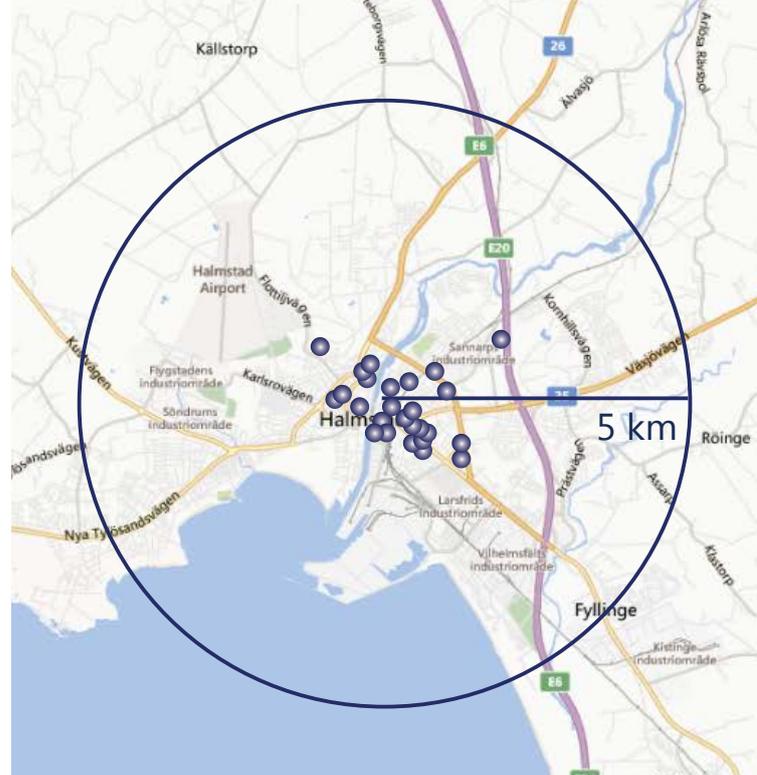


Helsingborg
 2,224 apartments
 1,152 SEK/sq m/year in rent
 0.1 m inhabitants
 11% population growth in 10 years

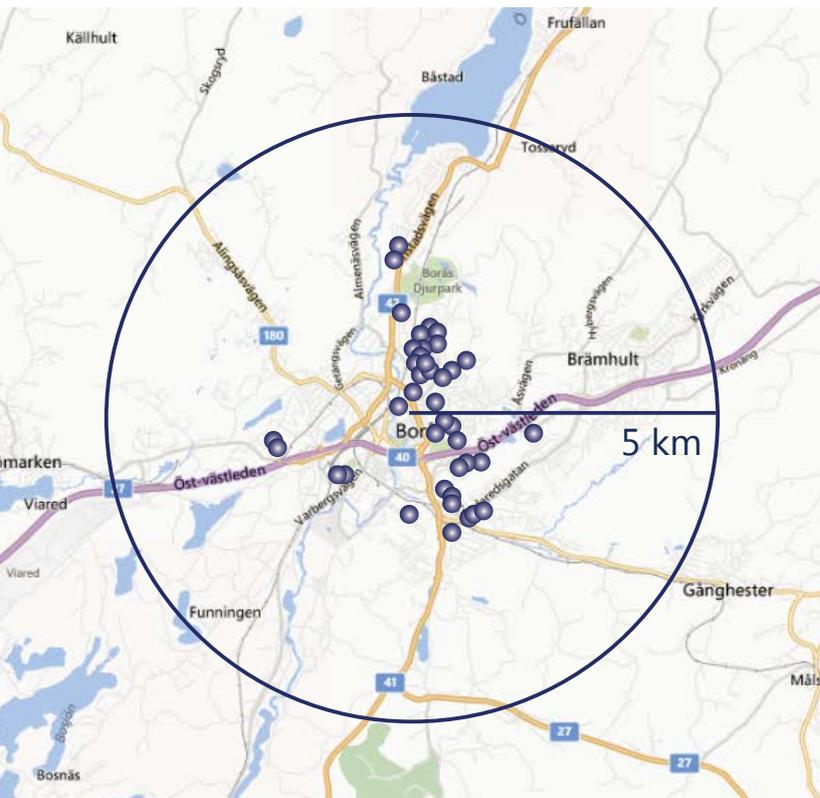
Properties marked in red were purchased in 2014.



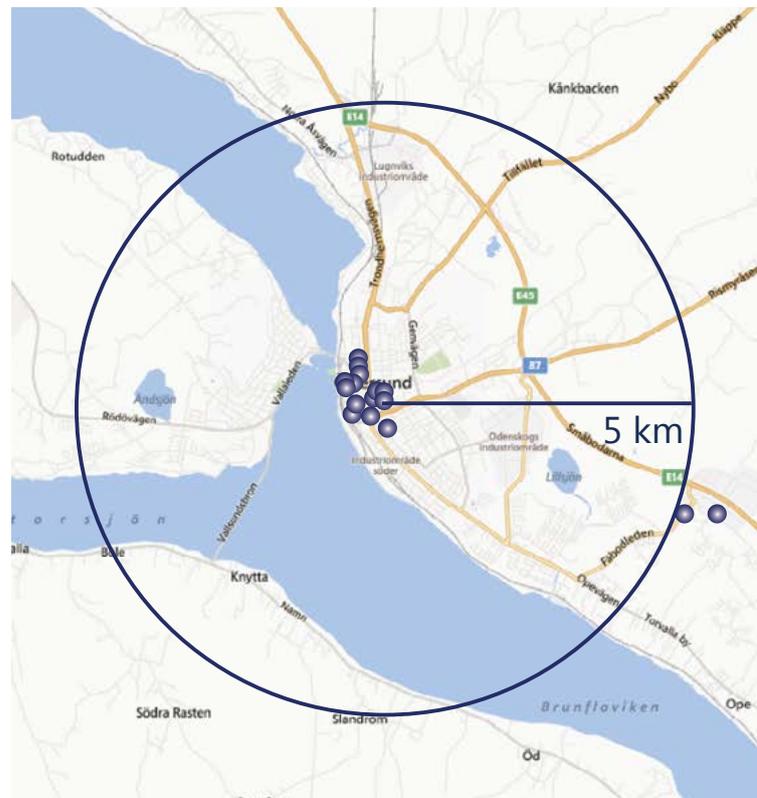
Greater Gothenburg
 1,186 apartments
 1,196 SEK/sq m/year in rent
 1.0 m inhabitants
 11% population growth in 10 years



Halmstad
 1,263 apartments
 1,216 SEK/sq m/year in rent
 0.1 m inhabitants
 8% population growth in 10 years



Borås
 1,496 apartments
 1,065 SEK/sq m/year in rent
 0.1 m inhabitants
 8% population growth in 10 years



Östersund
 1,073 apartments
 1,105 SEK/sq m/year in rent
 0.1 m inhabitants
 3% population growth in 10 years

Properties marked in red were purchased in 2014.

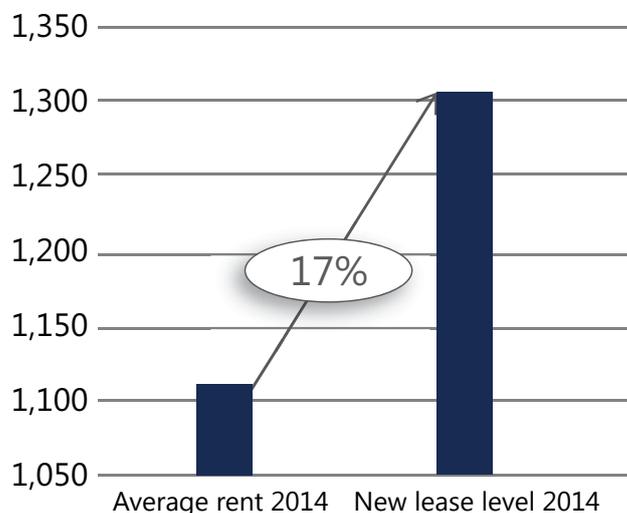


Average residential rent SEK/square metre/year

Total portfolio 1 Jan 2014	1,114
Property sales	4
Comparable portfolio 1 Jan 2014	1,118
Increase in comparable portfolio	41 ← 3.7%
Comparable portfolio 1 Jan 2015	1,159
Property purchases	-3
Total portfolio 1 Jan 2015	1,156

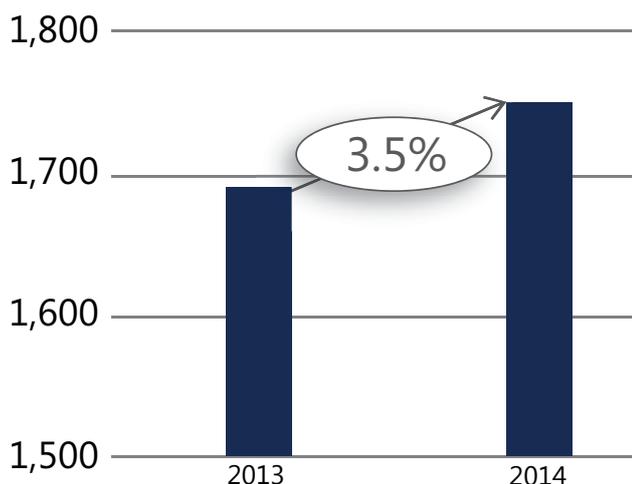
The average residential rent increased from 1,114 to 1,156 SEK/sq m/year. For the properties that were owned throughout 2014, the rent increased from 1,118 to 1,159 SEK/sq m/year, corresponding to 3.7 per cent. The average rent for sold properties was 1,046 SEK/sq m/year. Purchases for the year reduced the average rent. The average rent for purchased properties was 1,124 SEK/sq m/year.

Average rent new leases, SEK/square metre/year Comparable properties



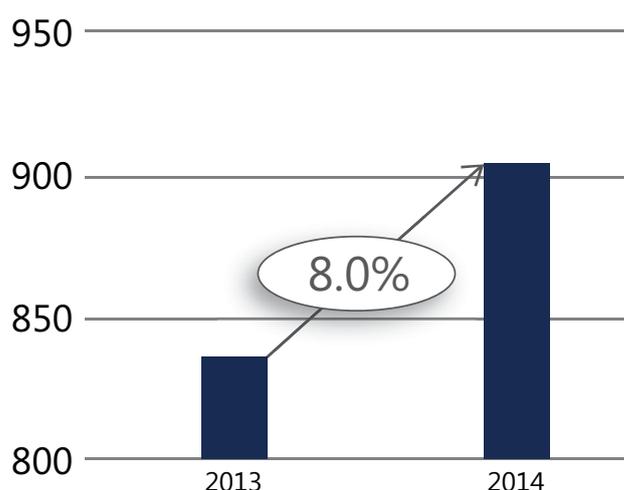
The new lease level for properties owned throughout 2014 was 1,312 SEK/sq m/year, which was 17 per cent higher than the average rent at the beginning of the year. The reasons are upgrades to First Class and attractive locations.

Rental income, SEK millions Comparable properties



Rental income increased by 3.5 per cent in 2014 in comparison with 2013 for properties owned throughout 2013 and 2014.

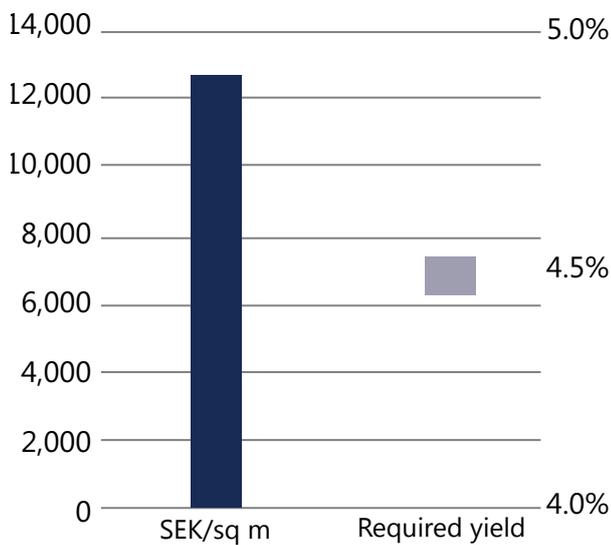
Operating surplus, SEK millions Comparable properties



The operating surplus increased by 8.0 per cent in 2014 in comparison with 2013 for properties owned throughout 2013 and 2014.

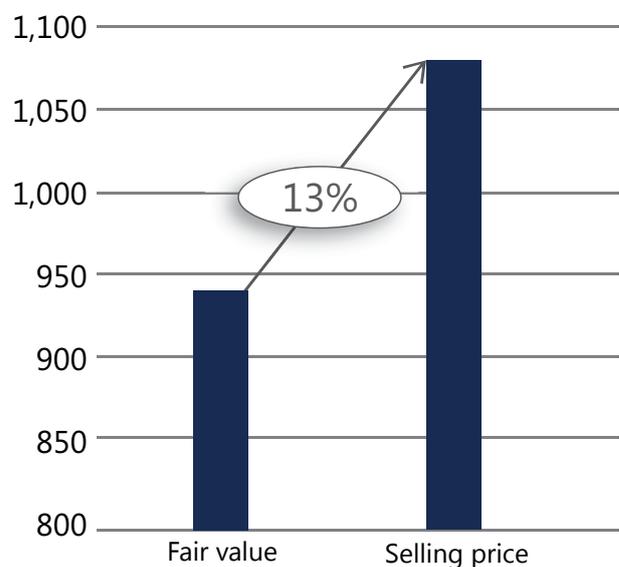


Property purchases



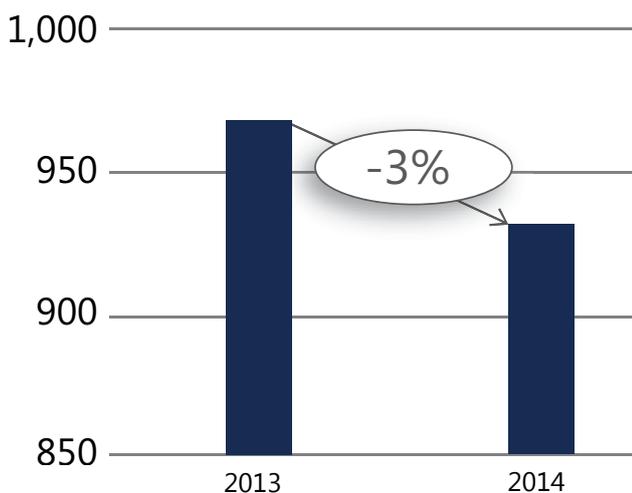
During the year, we purchased the so-called Hugo Åberg portfolio in Malmö with almost 2,000 apartments. The portfolio includes the skyscraper Kronprinsen, a landmark with 27 floors. The purchase cost was SEK 2.1 billion or SEK 12,640 per square metre.

Property sales, SEK millions



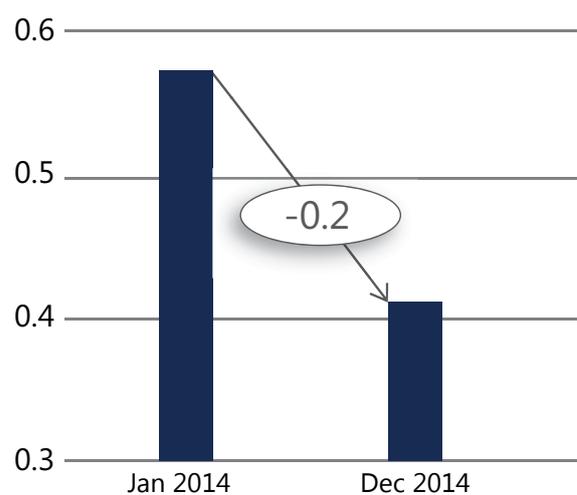
During the year, we sold properties for SEK 1.1 billion. The average selling price was SEK 12,687 per square metre. Following the sales during 2014 we completely exited the cities Enköping, Luleå, Uddevalla and Åre.

Investments, SEK millions



In 2014, investments totalled SEK 932 million. We upgraded 2,163 apartments to First Class for SEK 526 million.

Real vacancy rate, per cent



During 2014, the real vacancy rate decreased by 0.2 percentage points. It fluctuated between 0.3 and 0.7 per cent. On average, it was 0.5 per cent. During the year, the vacancy rate was between 1.3 and 2.2 per cent. The difference between the real vacancy rate and the vacancy rate comprises the apartments that are left empty to upgrade or to sell.

Nine years of cherry picking

Ever since 2006, we have carefully selected properties and gradually built up a portfolio that entails 19,500 apartments.

The properties are mainly located near the city centres. 88 per cent of the apartments are located in the biggest cities in Germany - Berlin, Hamburg, Munich, Cologne and Frankfurt. The properties are managed by our 120 employees at five offices.

During the year, we conducted 46 transactions involving a total of 108 properties and 3,600 apartments, of which 84 per cent in Berlin.

5.4 per cent growth in average rent

The growth in rent is driven primarily by new leases. The new lease rent in 2014 was 51 per cent higher than the average rent at the beginning of the year, a result of upgrades to First Class and increasingly popular locations.

New leases represented 70 per cent of the growth in rent of 5.4 per cent. The remainder is the result of adjustments to Mietspiegel, indexed contract and modernisation increases.

Semi-regulated rental market

In Germany the new lease level is set freely. Increases for current tenants can be made via a comparison with the so-called rent mirror – Mietspiegel. The rent mirror is calculated by the authorities. The idea is that the rent mirror shall reflect the standard and location.

Increases via the rent mirror are maximised to 15 per cent for every three-year period. When upgrading you are allowed to increase the rent of an existing rent contract by 11 per cent of the modernisation cost.



Total return, properties, per cent

Operating surplus	4.6
Change in value	2.5
Total	7.1

Fair value of properties, SEK millions

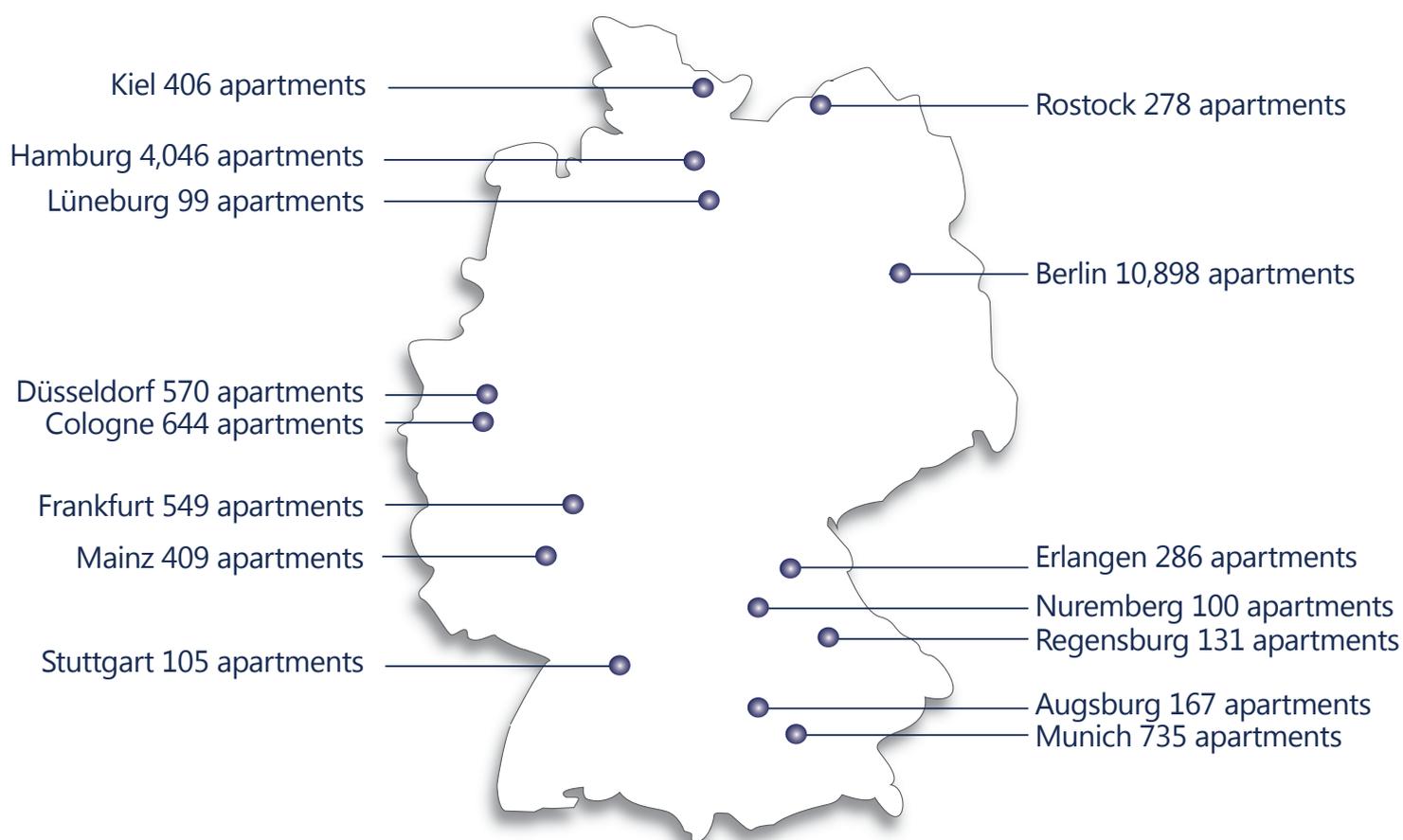
Opening	15,549
Exchange differences	1,199
Change in value	393
Investments	647
Purchases	3,384
Sales	-
Closing	21,171

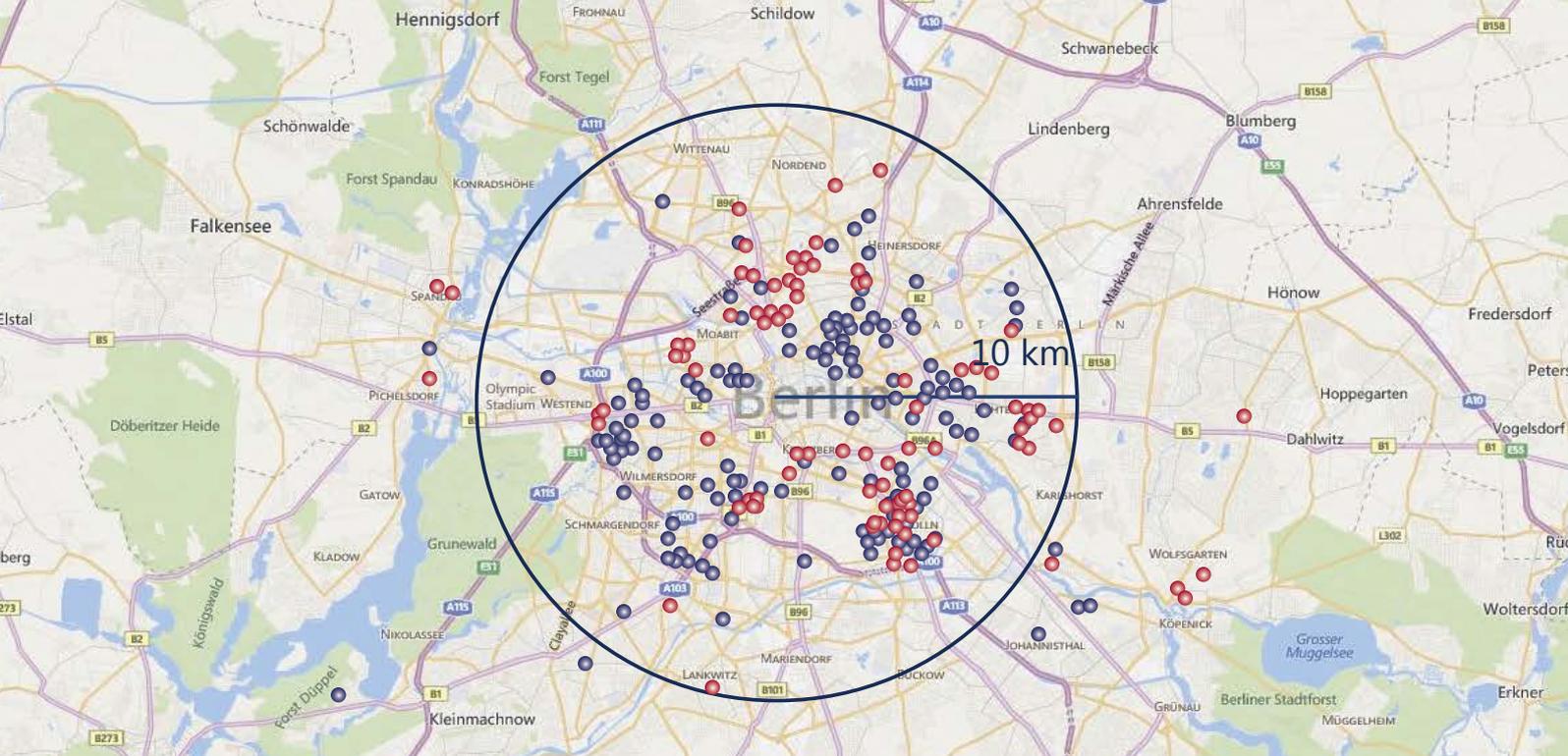
Required yield, fair value assessment, per cent

Opening	4.64
Purchases	0.01
Sales	-
Comparable	0.07
Closing	4.72

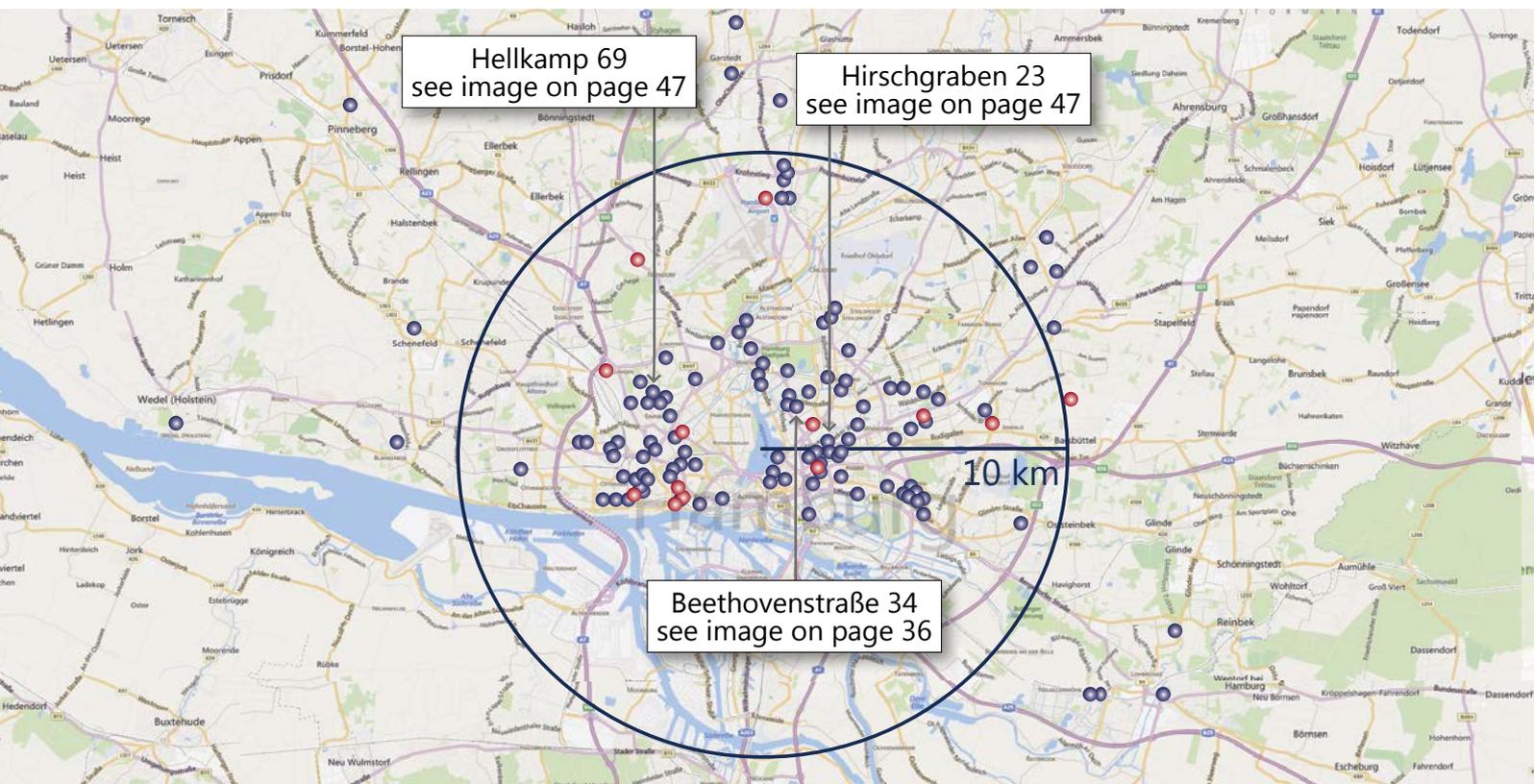
Property holdings as of 31 December 2014

	Square metres, thousands			Per cent	
	Apartments	Commercial	Total	Real vacancy	Share of total portfolio
Berlin	690	43	733	1.1	18
Hamburg	228	12	240	3.0	9
Munich	40	2	42	0.4	2
Cologne	44	2	46	0.8	1
Frankfurt	34	3	37	1.1	2
Düsseldorf	34	5	38	1.6	1
Other	123	5	128	2.2	3
Total	1,192	72	1,264	1.6	37



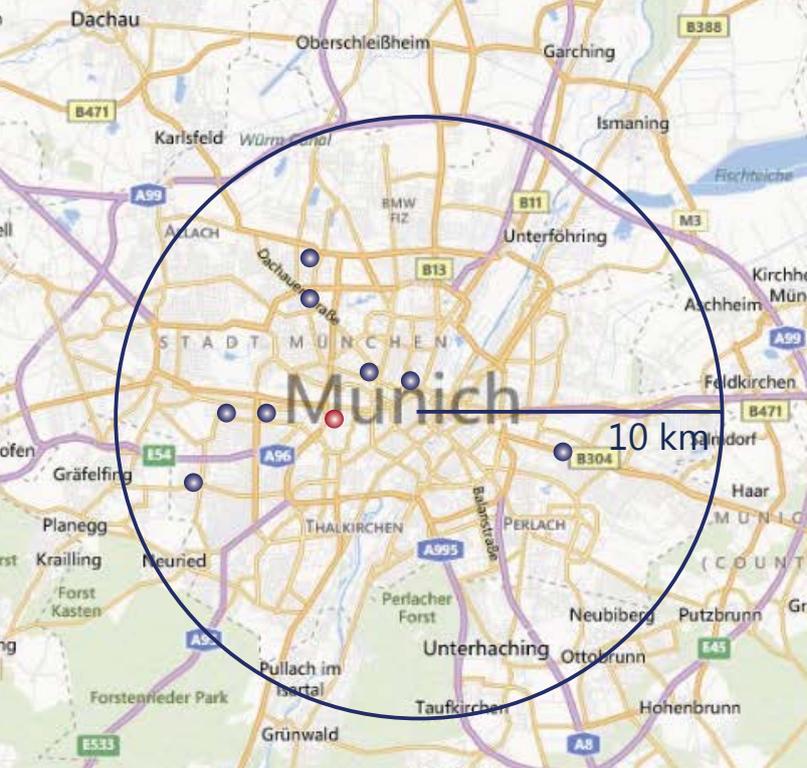


Berlin
 10,898 apartments
 6.85 EUR/sq m/month in rent
 3.5 m inhabitants
 3% population growth in 10 years

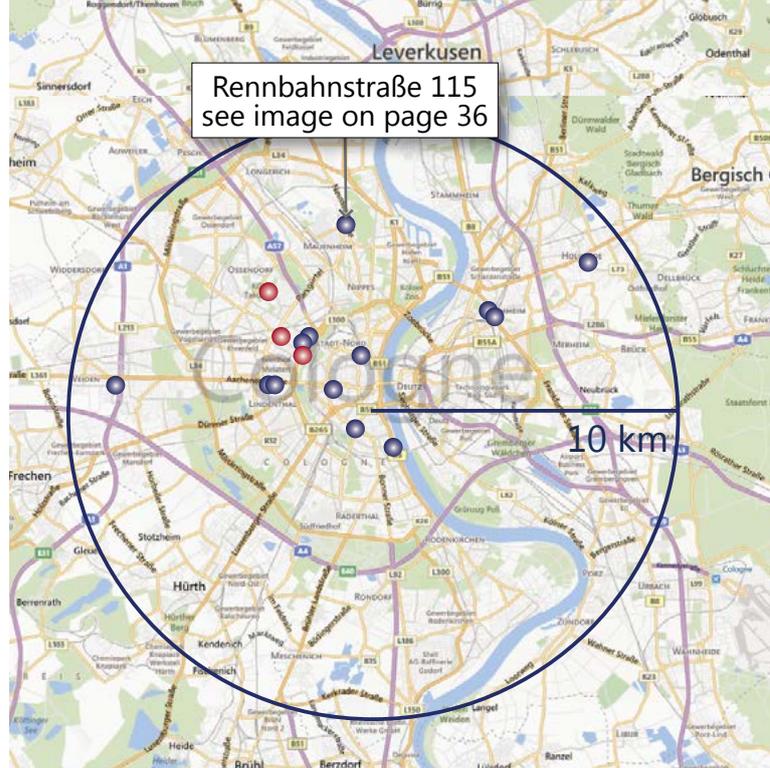


Hamburg
 4,046 apartments
 9.58 EUR/sq m/month in rent
 1.8 m inhabitants
 4% population growth in 10 years

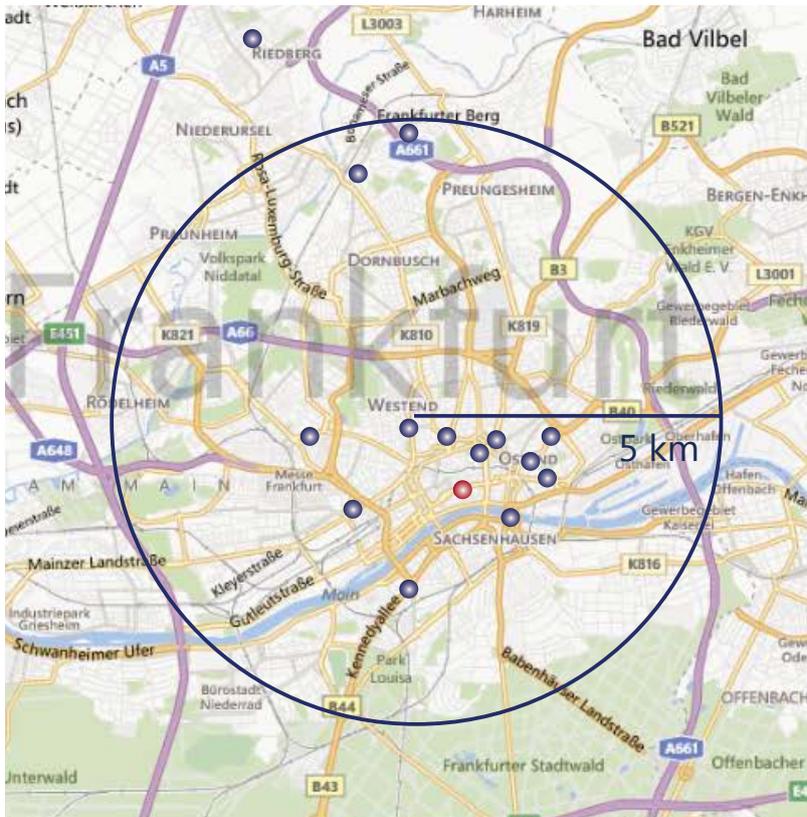
Properties marked in red were purchased in 2014.



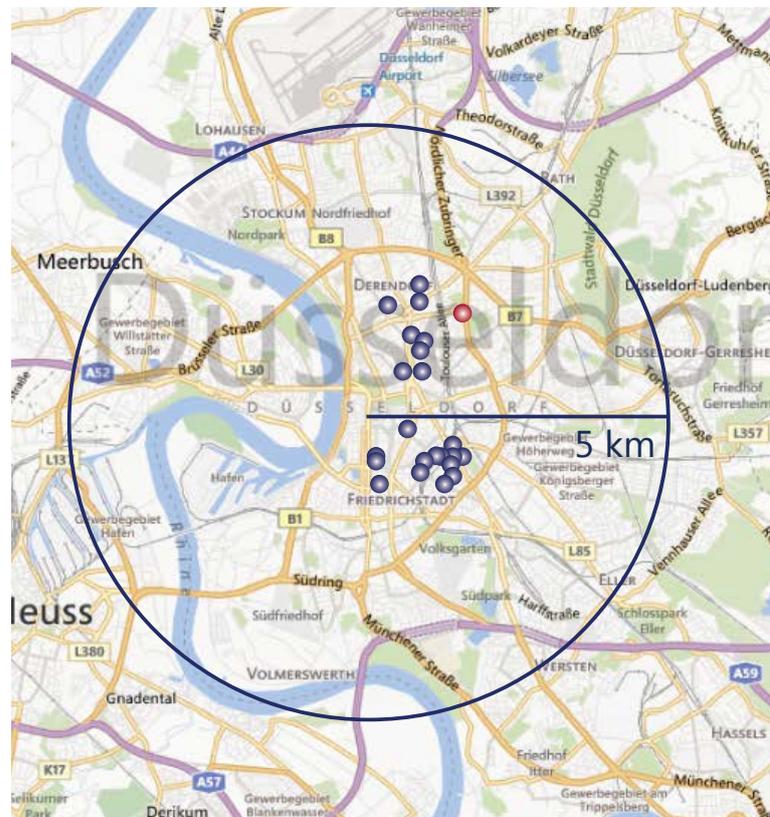
Munich
 735 apartments
 11.14 EUR/sq m/month in rent
 1.4 m inhabitants
 14% population growth in 10 years



Cologne
 644 apartments
 8.76 EUR/sq m/month in rent
 1.0 m inhabitants
 7% population growth in 10 years



Frankfurt
 549 apartments
 11.16 EUR/sq m/month in rent
 0.7 m inhabitants
 9% population growth in 10 years



Düsseldorf
 570 apartments
 8.29 EUR/sq m/month in rent
 0.6 m inhabitants
 5% population growth in 10 years

Properties marked in red were purchased in 2014.

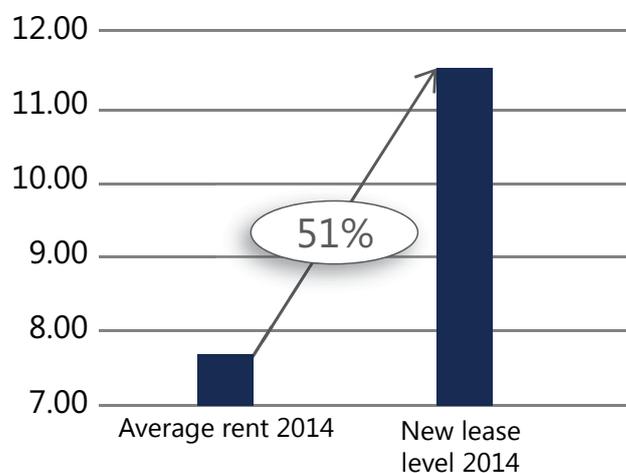


Average residential rent EUR/square metre/month*)

Total portfolio 1 Jan 2014	7.71
Property sales	-
Comparable portfolio 1 Jan 2014	7.71
Increase in comparable portfolio	0.42 ← 5.4%
Comparable portfolio 1 Jan 2015	8.13
Property purchases	-0.36
Total portfolio 1 Jan 2015	7.77

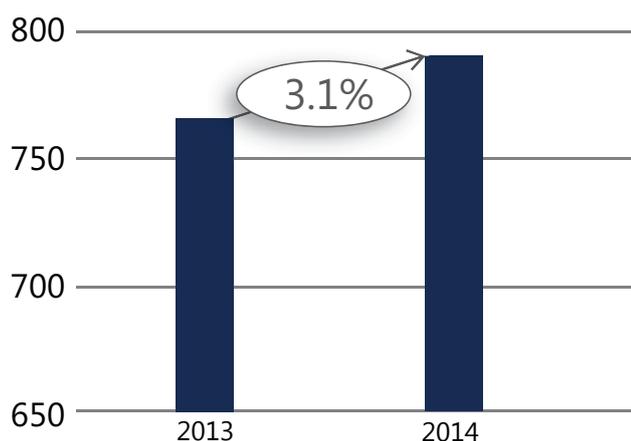
The average residential rent increased from 7.71 to 7.77 EUR/sq m/month. For properties that were owned throughout 2014, the rent increased from 7.71 to 8.13 EUR/sq m/month, corresponding to 5.4 per cent. Purchased properties decreased the average rent by -0.36 EUR/sq m/month. The average rent for purchased properties was 6.30 EUR/sq m/month.

Average rent new leases, EUR/square metre/month Comparable properties



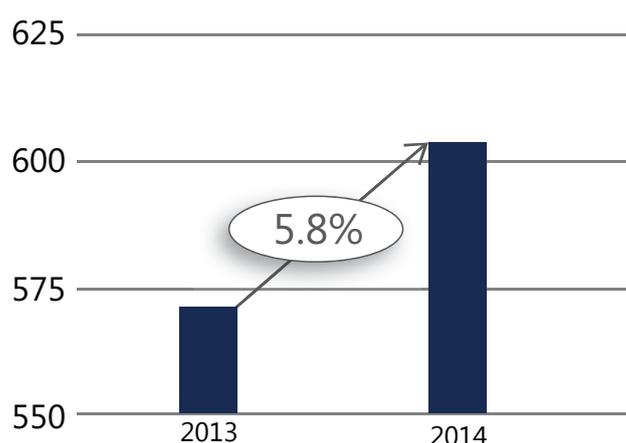
The new lease level for properties owned throughout 2014 was 11.61 EUR/sq m/month, which was 51 per cent higher than the average rent at the beginning of the year. The main reasons are upgrades to First Class and popular locations.

Rental income, SEK millions Comparable properties



Rental income increased by 3.1 per cent in 2014 in comparison with 2013 for properties owned throughout 2013 and 2014.

Operating surplus, SEK millions Comparable properties

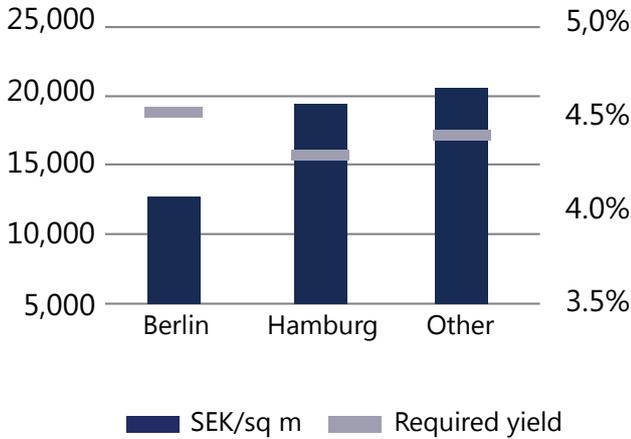


The operating surplus increased by 5.8 per cent in 2014 in comparison with 2013 for properties owned throughout 2013 and 2014.

*) Average rent for the total portfolio as of 1 January 2015 also includes 35 properties that were purchased on 1 January 2015. The total residential area amounted to 66,299 square meters.



Property purchases

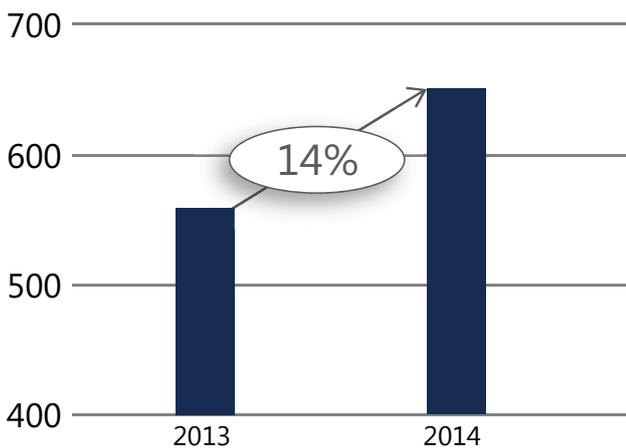


In 2014, we purchased properties in Germany for SEK 3.4 billion, of which 84 per cent in Berlin and 9 per cent in Hamburg. Other purchases were made in Munich, Frankfurt, Cologne, Düsseldorf and Wiesbaden. The average price per square metre was SEK 13,477.

Property sales

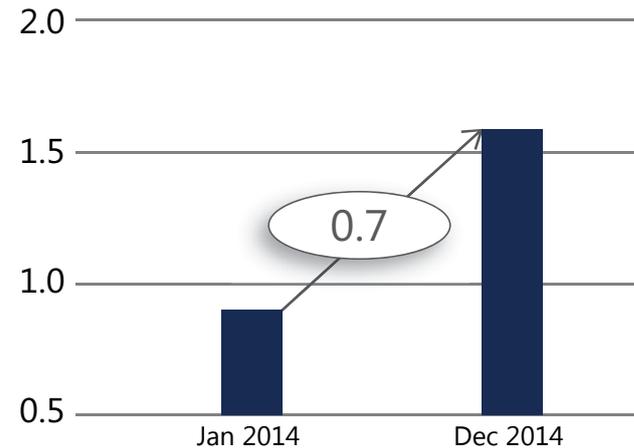


Investments, SEK millions



Investments increased by SEK 79 million or 14 per cent. The increase is explained primarily by the larger portfolio. In 2014, 1,192 apartments were upgraded to First Class.

Real vacancy rate, per cent



During 2014, the real vacancy rate increased by 0.7 percentage points. It fluctuated between 0.8 and 2.1 per cent. On average, it was 1.5 per cent. During the year, the vacancy rate was between 3.3 and 4.6 per cent. The difference between the real vacancy rate and the vacancy rate comprises the apartments that are left empty to upgrade or to sell.

Central Toronto and Montreal

In December 2013, the Akelius Residential Property Group purchased a property portfolio in Toronto, Canada. The seller was a fellow subsidiary of Akelius Residential Property AB.

This section about Canada shows the development as if the Akelius Residential Property Group had owned the properties since the beginning of 2013

In 2014, we increased our holdings in Toronto by 680 apartments to a total of 2,363. Furthermore, we entered the residential property market in Montreal with the purchase of 460 apartments.

The 34 properties are located in central and increasingly popular areas of Toronto and Montreal.

During the year we implemented an administrative system and an in-house maintenance organisation. This created costs in 2014 but will enhance efficiency and quality going forward. We have a total of 90 employees in Toronto and Montreal.

6.6 per cent growth in average rent

During 2014, the average residential rent has increased by 6.6 per cent. The strong growth is explained by increasing demand in our cherry-picked locations and popular upgrades to First Class. This allows us to increase rent levels on new contracts.

Semi-regulated market

In Toronto, new leases are set freely. Increases for current tenants are controlled by the local authorities. The rent increase is normally at the same level as inflation. When modernising the rent for current tenants can be increased by up to nine per cent over a period of three years.

In Montreal, new leases are free. However, new tenants are able to question the rent level in court. Leases to current tenants can be increased when the landlord's costs increase. Modernisation costs can to some extent be passed on to the tenants.



Total return, properties, per cent

Operating surplus	3.1
Change in value	8.2
Total	11.3

Fair value of properties, SEK millions

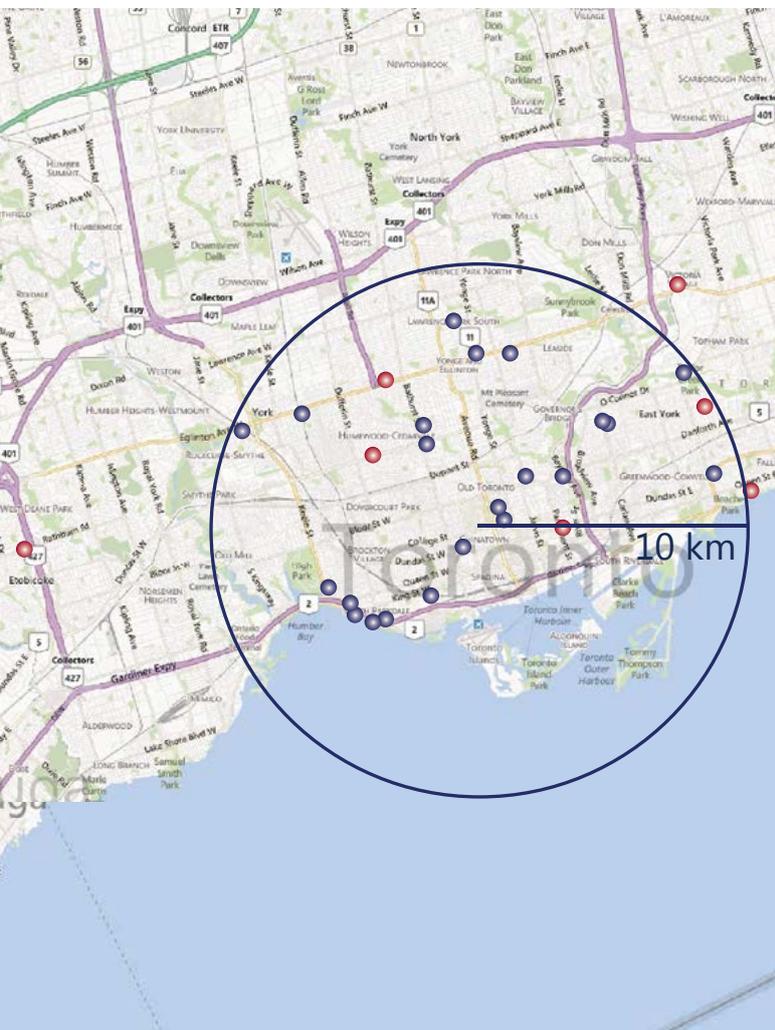
Opening	1,758
Exchange differences	302
Change in value	145
Investments	139
Purchases	1,092
Sales	-4
Closing	3,432

Required yield, fair value assessment, per cent

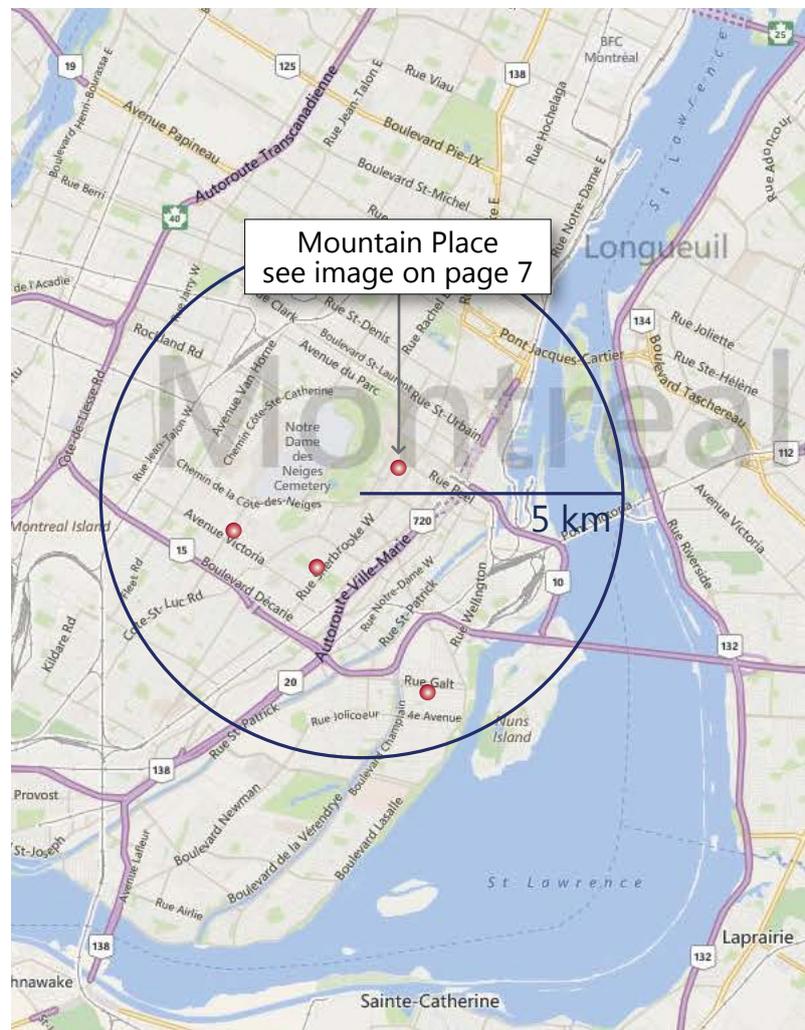
Opening	4.47
Purchases	0.08
Sales	0.00
Comparable	0.00
Closing	4.55

Property holdings as of 31 December 2014

	Square metres, thousands			Per cent	
	Apartments	Commercial	Total	Real vacancy	Share of total portfolio
Toronto	125	0	125	3.1	5
Montreal	32	0	32	0.4	1
Total	157	1	157	2.7	6



Toronto
 2,363 apartments
 1.91 CAD/sq ft/month in rent
 6.1 m inhabitants
 19% population growth in 10 years



Montreal
 460 apartments
 1.49 CAD/sq ft/month in rent
 3.8 m inhabitants
 12% population growth in 10 years

Properties marked in red were purchased in 2014.

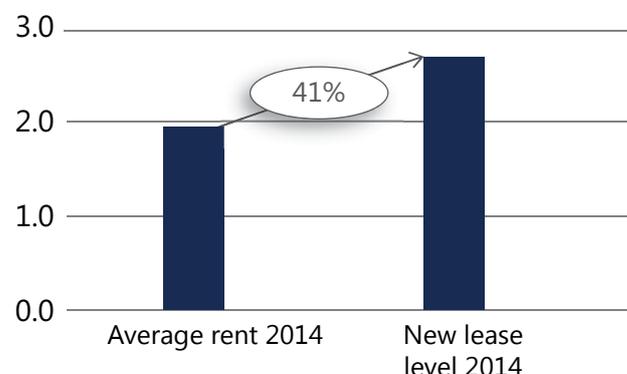


Average residential rent CAD/square feet/month

Total portfolio 1 Jan 2014	1.95
Property sales	-
Comparable portfolio 1 Jan 2014	1.95
Increase in comparable portfolio	0.13 ← 6.6%
Comparable portfolio 1 Jan 2015	2.08
Property purchases	-0.26
Total portfolio 1 Jan 2015	1.83

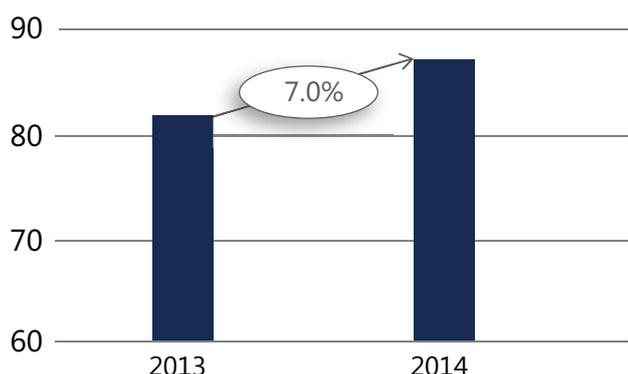
The average rent decreased from 1.95 to 1.83 CAD/sq ft/month. The reason is that the properties purchased during the year had low rents relative to the existing portfolio. The rent for purchased properties was 1.51 CAD/sq ft/month. For properties that were owned throughout 2014, the rent increased from 1.95 to 2.08 CAD/sq ft/month, corresponding to a growth of 6.6 per cent.

Average rent new leases, CAD/square feet/month Comparable properties



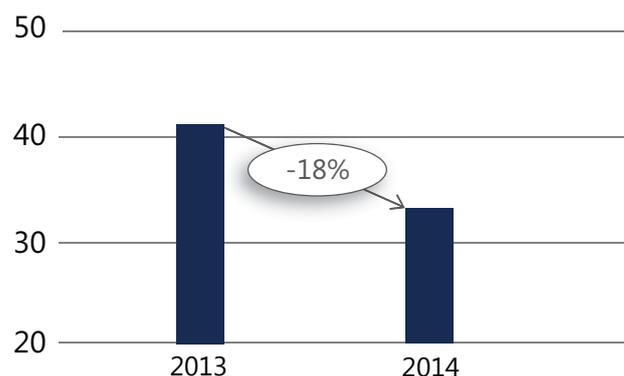
The new lease level for properties owned throughout 2014 was 2.74 CAD/sq ft/month, which was 41 per cent higher than the average rent at the beginning of the year. The main reasons are upgrades to First Class and popular locations.

Rental income, SEK millions Comparable properties



Rental income increased by 7.0 per cent in 2014 in comparison with 2013 for properties owned throughout 2013 and 2014.

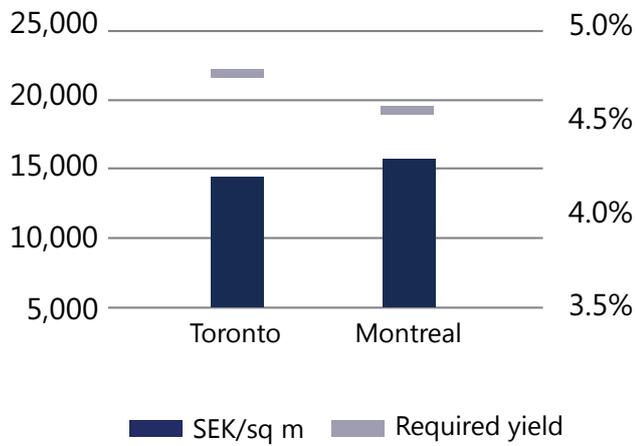
Operating surplus, SEK millions Comparable properties



The operating surplus decreased by 18 per cent in 2014 in comparison with 2013 for properties owned throughout 2013 and 2014. The main explanation is start-up costs for implementing administrative systems and an in-house maintenance organisation.

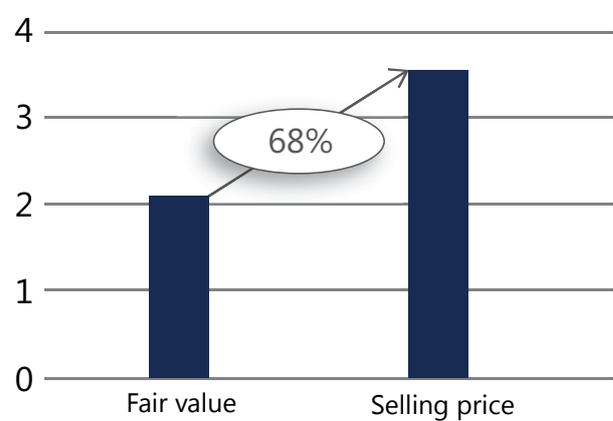


Property purchases



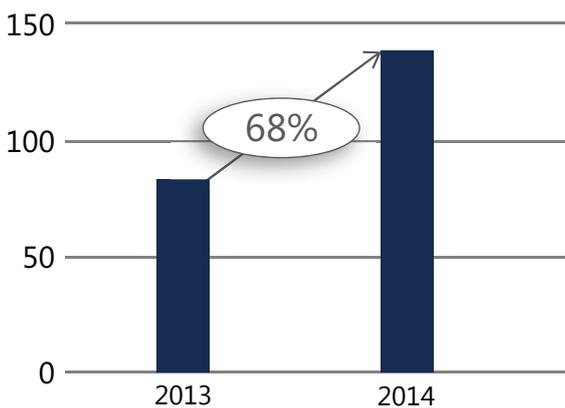
In 2014, we purchased properties in Canada for SEK 1.1 billion, of which 55 per cent in Toronto and 45 per cent in Montreal. The average price per square metre was SEK 14,960.

Property sales, SEK millions



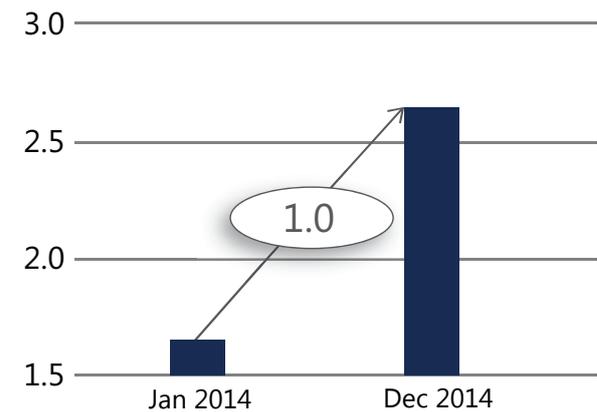
We only sold one detached house containing one apartment during the year. The selling price was SEK 3.6 million, 68 per cent above fair value at the beginning of the year.

Investments, SEK millions



Investments increased by SEK 56 million or 68 per cent. The large increase is explained primarily by the larger portfolio. In 2014, 210 apartments were upgraded to First Class.

Real vacancy rate, per cent



During 2014, the real vacancy rate increased by 1.0 percentage points. It fluctuated between 1.1 and 3.1 per cent. On average, it was 2.0 per cent. During the year, the vacancy rate was between 3.6 and 6.7 per cent. The difference between the real vacancy rate and the vacancy rate comprises the apartments that are left empty to upgrade or to sell.

Focus on London

In March 2014, the Akelius Residential Property Group purchased 900 apartments in England from fellow subsidiaries. This section about England shows the development as if the Akelius Residential Property Group had owned the properties since the beginning of 2013.

In addition, we bought another 300 apartments in England, all of which are located in central parts of London.

During 2014, in order to reduce our reliance on external partners, improve quality and save costs we brought a number of key processes in-house. We initially started with construction management of apartment upgrades in 2014. This was soon followed by lettings, property management and estate management. We also implemented administrative systems that have enabled accounting to be brought in-house at the start of 2015. We now intend to bring the delivery of larger investment projects and apartment viewings fully in-house by the end of 2015. In total 20 people are now employed in London.

9.3 per cent growth in operating surplus

The rental income for comparable properties increased by 5.9 per cent. This is attributable to lower vacancies and higher rent levels. The new lease level was on average 34 per cent higher than the average rent.

The operating surplus for comparable properties increased by 9.3 per cent. The income increases faster than the costs in areas by increasing demand.

Free market

The most common residential lease contract in England is an assured shorthold tenancy with an average duration of 12 months. It is common to renew the contract at market rent after expiry. Because of the high fluctuation and short duration of the lease contracts, the lease levels are usually close to market rents.

Upgrading the apartments and the common areas makes it possible to increase rents to even higher levels.



Total return, properties, per cent

Operating surplus	3.9
Change in value	13.0
Total	16.9

Fair value of properties, SEK millions

Opening	1,791
Exchange differences	330
Change in value	233
Investments	218
Purchases	834
Sales	-11
Closing	3,395

Required yield, fair value assessment, per cent

Opening	4.64
Purchases	-0.03
Sales	0.00
Comparable	-0.25
Closing	4.36

Property holdings as of 31 December 2014

	Square metres, thousands			Per cent	
	Apartments	Commercial	Total	Real vacancy	Share of total portfolio
Greater London	48	0	48	2.5	5
Other	16	-	16	0.7	1
Total	63	0	63	2.1	6



Greater London
 877 apartments
 1.99 GBP/sq ft/month in rent
 8.2 m inhabitants
 14% population growth in 10 years

Properties marked in red were purchased in 2014.

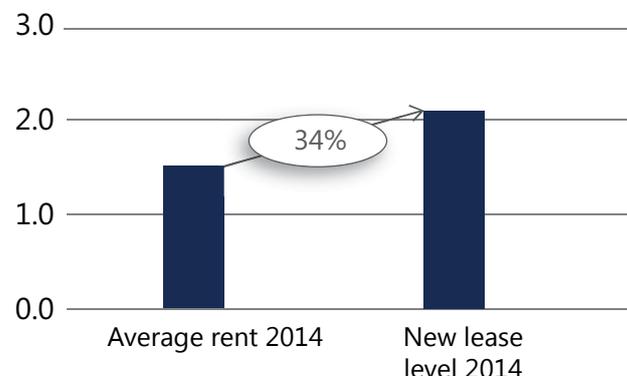


Average residential rent
GBP/square feet/month

Total portfolio 1 Jan 2014	1.55
Property sales	-
Comparable portfolio 1 Jan 2014	1.55
Increase in comparable portfolio	0.18 ←11.3%
Comparable portfolio 1 Jan 2015	1.72
Property purchases	0.02
Total portfolio 1 Jan 2015	1.74

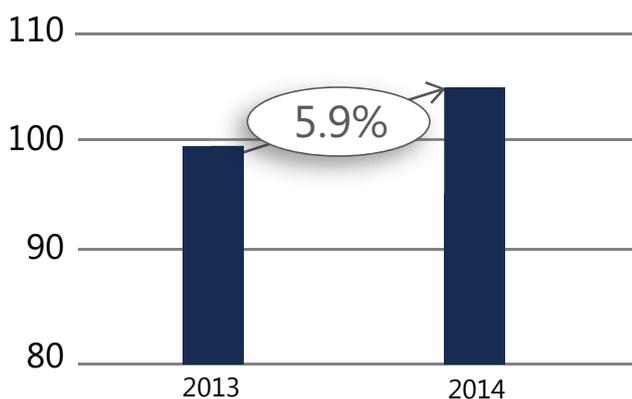
The average rent increased from 1.55 to 1.74 GBP/sq ft/month. The rent for purchased properties was 1.80 GBP/sq ft/month. For properties that were owned throughout 2014, the rent increased from 1.55 to 1.72 GBP/sq ft/month, corresponding to a growth of 11.3 per cent.

Average rent new leases,
GBP/square feet/month
Comparable properties



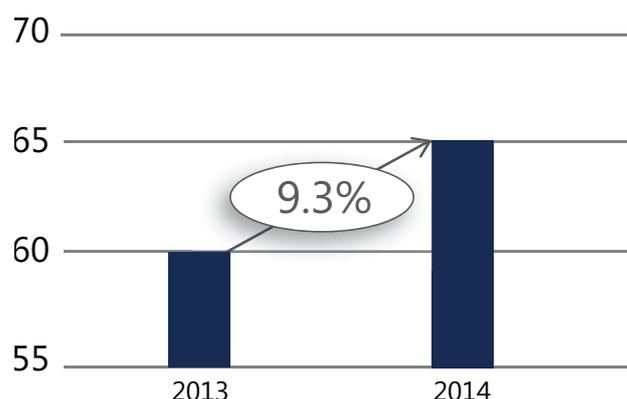
The new lease level for properties owned throughout 2014 was 2.07 GBP/sq ft/month, which was 34 per cent higher than the average rent at the beginning of the year. The main reasons are upgrades to First Class and popular locations.

Rental income, SEK millions
Comparable properties



Rental income increased by 5.9 per cent in 2014 in comparison with 2013 for properties owned throughout 2013 and 2014.

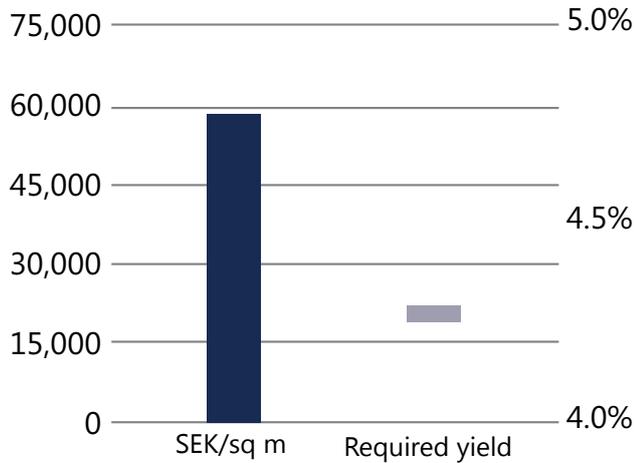
Operating surplus, SEK millions
Comparable properties



The operating surplus increased by 9.3 per cent in 2014 in comparison with 2013 for properties owned throughout 2013 and 2014.

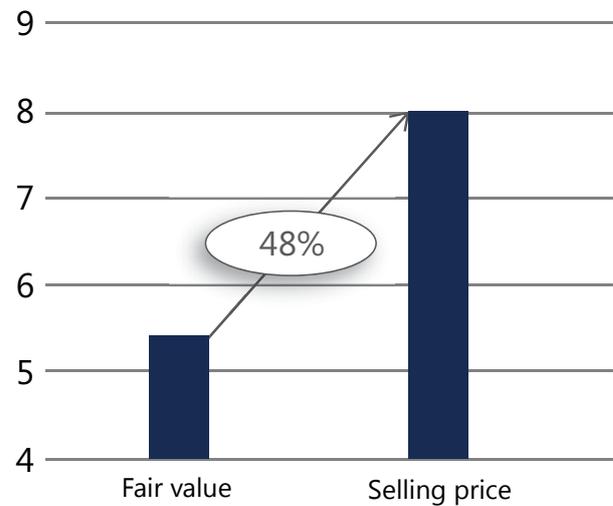


Property purchases



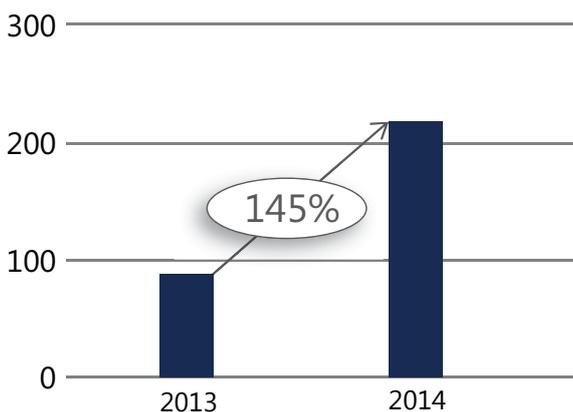
In 2014, we purchased properties in England for SEK 0.8 billion, all in Greater London. The average price per square metre was SEK 59,329.

Property sales, SEK millions



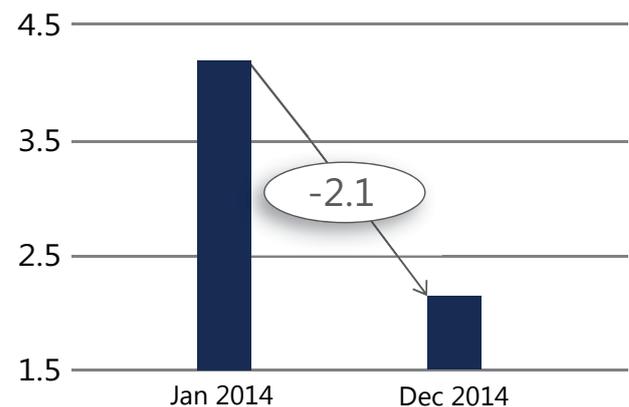
We sold only a few apartments during the year, no properties as a whole. The selling price was SEK 8.0 million, 48 per cent above fair value at the beginning of the year.

Investments, SEK millions



Investments increased by SEK 129 million or 145 per cent. The large increase is explained primarily by the larger portfolio. In 2014, 274 apartments were upgraded to First Class.

Real vacancy rate, per cent



During 2014, the real vacancy rate decreased by 2.1 percentage points. It fluctuated between 1.0 and 4.2 per cent. On average, it was 2.8 per cent. During the year, the vacancy rate was between 6.4 and 12.3 per cent. The difference between the real vacancy rate and the vacancy rate comprises the apartments that are left empty to upgrade or sell.

In the heart of Paris

We cherry picked our first property with 40 apartments in September. It is located in the 18th district in Paris, which is an attractive location. In December, we bought our second Parisian property with 50 apartments. At the end of the year we also signed an agreement to purchase an additional 150 apartments in Paris with the hand-over date in February 2015.

We have rented an office space in Paris and employed local staff. We intend to build up a local organisation that will manage all property, asset and construction management in-house, similar to how we are organised in Sweden and Germany. We believe that this system renders higher quality and higher profitability.

Upgrading of apartments

We are currently upgrading our first apartments in Paris. We also plan to invest in all the communal areas of the buildings we buy. Since Paris lacks premium apartments, the high demand will enable us to reach the targeted rent levels. The potential rent increase amounts to 70 per cent within the next five years.

Semi-regulated rents

In France, a landlord can freely set a new level of rent if the amount of renovation works realised within the last six months in the apartment and/or common area is above the last annual rent invoiced or if the apartment has been vacant for a minimum of 18 months.

After entering a lease contract the annual rent increase cannot exceed the development of the IRL index. After six years, leases can be renegotiated to market rent levels.



Fair value of properties, SEK millions

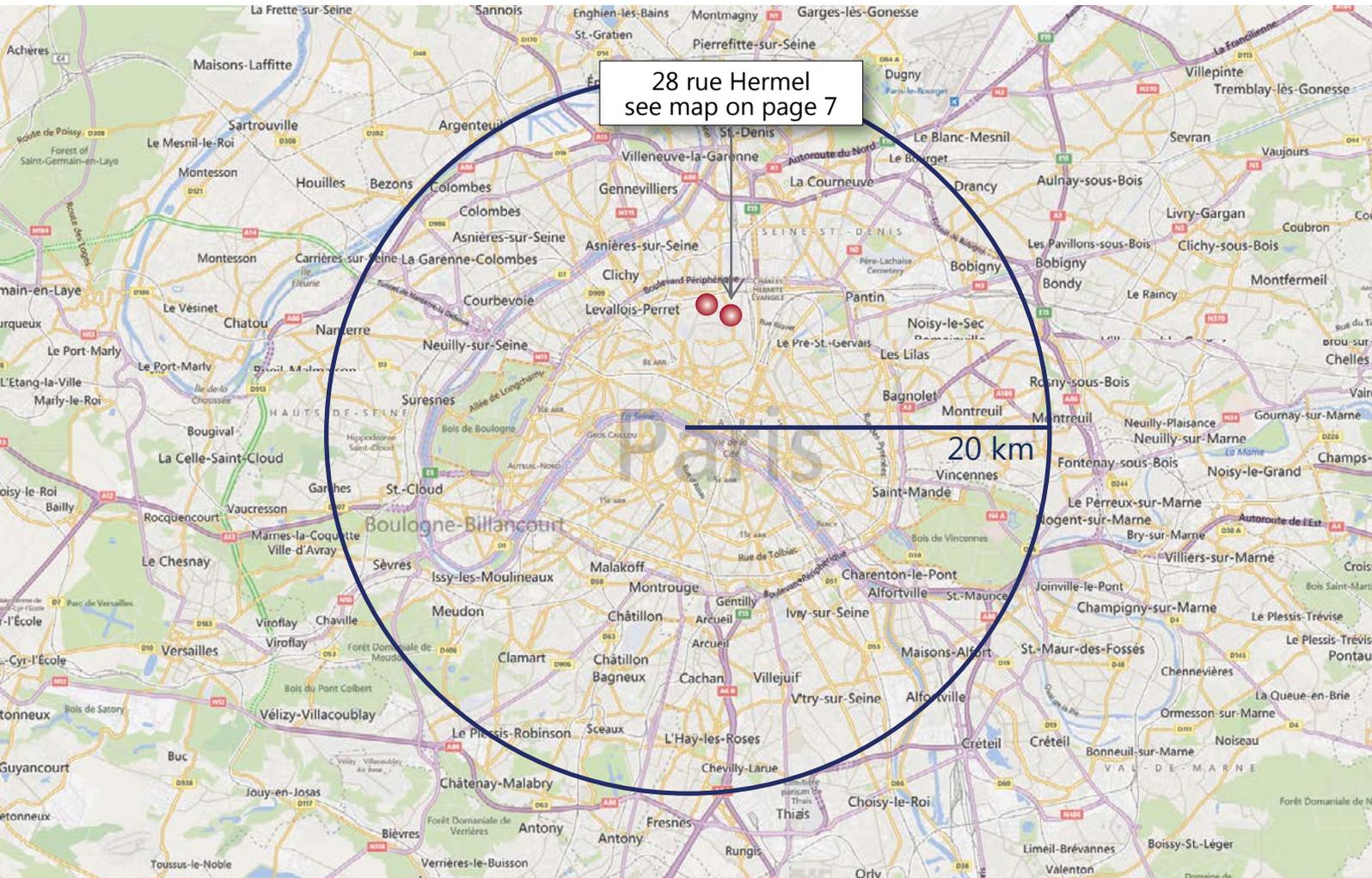
Opening	-
Exchange differences	7
Change in value	-14
Investments	1
Purchases	172
Sales	-
Closing	166

Required yield, fair value assessment, per cent

Opening	-
Purchases	4.11
Sales	-
Comparable	-
Closing	4.11

Property holdings as of 31 December 2014

	Square metres, thousands			Per cent	
	Apartments	Commercial	Total	Real vacancy	Share of total portfolio
Paris	3	0	3	0.0	0
Total	3	0	3	0.0	0



Paris

90 apartments

21.31 EUR/sq m/month in rent

12.2 m inhabitants

9% population growth in 10 years

Properties marked in red were purchased in 2014.

Property portfolio in 2014

The estimated fair value of the Group's property holding at the end of the year was SEK 57,736 million (44,091), which is equivalent to an average of SEK 16,629 (14,736) per square metre.

The fair value has increased by SEK 1,412 million, or 3.2 per cent. The value increase was mainly due to increased rental income.

Investments for the year amounted to SEK 1,881 million, equivalent to an annual investment of SEK 582 per square metre. First class investments totalled SEK 1,022 million while SEK 859 million was invested in the conversion of commercial premises and lofts to apartments, densification of existing properties and water and energy saving projects.

Property sales totalled SEK 1,084 million, mainly in Sweden, which was 14 per cent above the fair value at the beginning of the year.

During the year, properties were purchased for SEK 9,678 million with an average required yield of 4.45 per cent. SEK 2,119 million are related to the purchase of properties from fellow subsidiaries. Additionally, new properties were bought in England for SEK 834 million. In Germany, properties were purchased for SEK 3,384 million at an average property price per square metre of SEK 13,477. In Canada, properties were bought for SEK 1,092 million at an average property price per square metre of SEK 14,962. During November, properties were bought in Sweden for SEK 2,078 million at an average property price per square meter of SEK 12,460. In France, two properties were purchased for SEK 172 million at an average property price per square meter of SEK 62,670.

Investment property in 2014

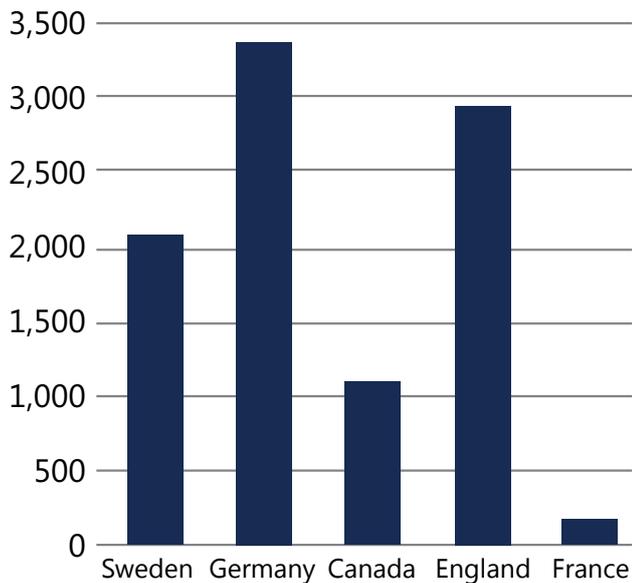
	Sweden	Germany	Canada	England	France	Total
Opening value	26,797	15,549	1,758	-	-	44,104
Change in value	837	393	145	52	-14	1,412
Investments	932	647	139	162	1	1,881
Purchases	2,078	3,384	1,092	2,953	172	9,678
Sales	-1,072	-	-4	-8	-	-1,084
Translation differences	-	1,199	302	237	7	1,745
Closing value	29,571	21,171	3,432	3,395	166	57,736

Investment property in 2013

	Sweden	Germany	Canada	England	France	Total
Opening value	23,456	11,981	-	-	-	35,437
Change in value	815	729	25	-	-	1,569
Investments	964	568	-	-	-	1,531
Purchases	3,350	1,818	1,733	-	-	6,901
Sales	-1,801	-	-	-	-	-1,801
Reclassification	13*	-	-	-	-	13
Translation differences	-	454	-	-	-	454
Closing value	26,797	15,549	1,758	-	-	44,104

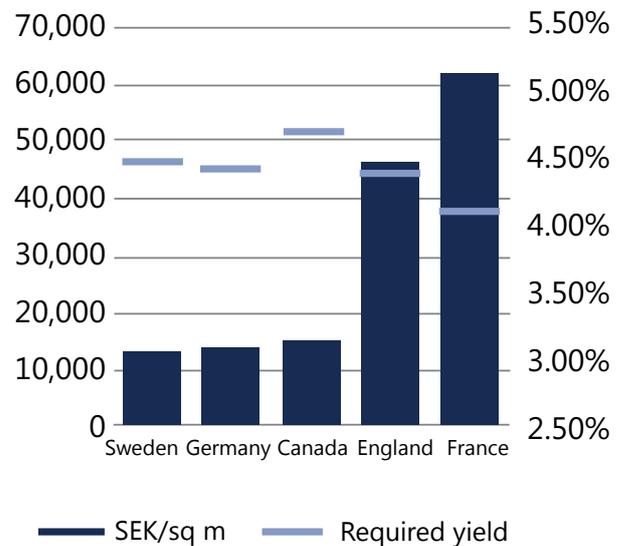
*) The owner-occupied property was reclassified as investment property, at a total value of SEK 13 million.

Purchases in 2014
SEK millions



Purchases for SEK 9.7 billion were made in 2014, including SEK 2.1 billion from fellow subsidiaries. The main purchases are attributable to Malmö, Sweden for SEK 2.1 billion and Berlin, Germany for SEK 2.9 billion.

Property purchases in 2014



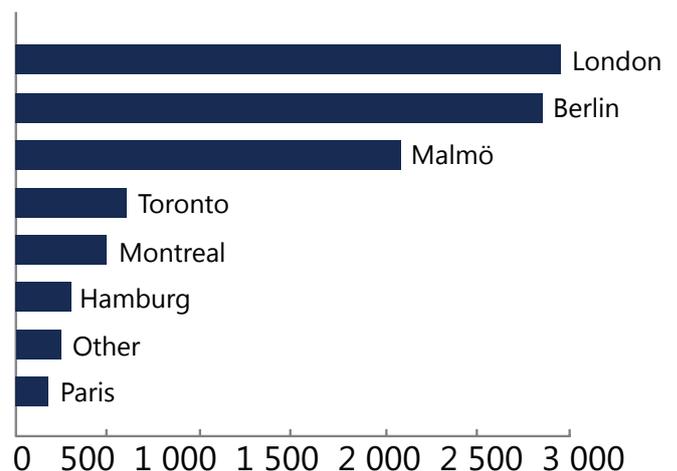
The price per square metre varied from SEK 12,640 per sq m in Sweden to SEK 62,670 per sq m in France.

Sales in 2014
SEK millions



During the year, we sold properties for SEK 1.1 billion. On average, the selling prices were 14 per cent higher than the fair value at the beginning of the year.

Purchases per city in 2014
SEK millions



In 2014, properties we purchased for a total of SEK 9,678 million.



Rennbahnstraße, Cologne, Germany
See map on page 21.



Beethovenstraße, Hamburg, Germany
See map on page 20.



Kronprinsen, Malmö, Sweden

The skyscraper Kronprinsen, which with its 27 floors and mosaic-tiled facade is one of Malmö's most well-known landmarks. See map on page 14.

Portfolio valuation

Akelius property portfolio consist of 900 properties in five countries for a total of SEK 57,736 million (44,091). Each region is unique, requiring specific considerations. The value of the properties is based on internal valuations. All properties have been valued using the yield method, which means that each property is valued by discounting the estimated future cash flows.

The estimated future cash flows are based on existing rental income and estimated operating and maintenance costs adjusted for expected changes in rental and vacancy levels. The property's fair value comprises the sum of the discounted cash flows during the calculation period and the residual value. The valuation is made under IFRS 13, level 3, see page 74, value levels.

Rental income

Future rental levels for residential properties are based on actual rent, adjusted for potential rental growth, calculated from First Class investments made in the properties as well as inflation. Commercial properties are indexed, meaning that the rent develops at the same rate as the consumer price index during the leasing period. Vacancies are considered on the basis of the current vacancy situation for each individual property, adjusted to a market vacancy level taking into account the property's individual characteristics.

Expenses

Operating and maintenance expenses are based on the estimations of the market level per under the calculation period adjusted for inflation. Specific planned future maintenance expense are included in the projections for each individual property. Property administration costs are assessed based on the average cost level.

Required yield

The required yield is determined by adding the interest rates to risk premiums. The risk premium covers the market risk and the property-related risk based on the building's location and the prevailing housing supply and demand.

The required yield is assessed, as far as possible, using the property transactions that have been completed on the market, as well as by looking at comparable properties.

Akelius's opinion is that the market's required yield remained relatively constant throughout the year with only a small change of 0.01 percentage points in required yield for the group's comparable properties. On December 31, 2014 Akelius' average required yield amounted to 4.72.

Akelius market knowledge

Akelius is very active in the property market, accumulating a lot of knowledge from the large number of transactions the company is involved in.

In 2014, Akelius received invitations to buy for SEK 128 billion. Following evaluations, we submitted bids on 30,299 apartments for SEK 30 billion, purchasing 7,783 apartments in 71 transactions.

The key ratios price per square metre, gross rent multiplier and required yield from the evaluations of all those apartments, in particular the ones for which we submitted indicative bids, constitute the basis of the fair value estimation.

In addition to the invitations to buy, we sold 1,300 apartments in 13 transactions during the year, all in Sweden. The realised prices in these sales provided valuable information about required yields and prices per square metre. The properties were sold at prices that exceeded fair value at the beginning of the year by fourteen per cent.

External valuation

In order to verify the internal valuation, we engage CBRE to estimate at least one third of the holding each year. In 2014, CBRE reviewed 280 properties out of 880 properties owned which corresponds to 32 per cent of the number of properties and 60 per cent of the fair value. Their estimate was SEK 103 million, or 0.30 per cent, more than our internal valuation.

Required yield, per cent

	Sweden	Germany	Canada	England	France	Group
Opening	4.84	4.64	4.47	-	-	4.75
Purchases	-0.02	0.01	0.08	4.36	4.11	-0.03
Sales	-0.01	-	0.00	0.00	-	-0.01
Comparable	-0.02	0.07	0.00	-	-	0.01
Exchange rate	-	-	-	-	-	0,00
Closing	4.78	4.72	4.55	4.36	4.11	4.72

Sensitivity analysis

Should the market's required yield and the rental income change, fair value in SEK millions is affected as shown in the table below:

	Sweden	Germany	Canada	England	Total*)
Required yield					
+0.1 percentage points	-659	-475	-86	-82	-1,302
-0.1 percentage points	688	496	90	86	1,359
Rental income					
+10 percentage points	4,761	2,257	580	414	8,012
-10 percentage points	-4,761	-2,257	-580	-414	-8,012

*) France is not included in the calculation due to the low number of transactions that is not material to the Group.

Transactions in 2014

	Sweden	Germany	Canada	England	France	Total
Invitations to buy, SEK millions	7,560	56,737	23,210	35,970	4,503	127,979
Indicative bids, SEK millions	4,269	14,409	4,642	4,592	1,792	29,703
-Number of apartments	4,016	18,859	5,297	1,785	342	30,299
-Number of indicative bids	12	241	55	41	7	356
Completed acquisitions, SEK millions*)	2,078	3,384	1,092	2 953**	172	9,678
-Number of apartments	1,813	3,586	1,141	1 153	90	7,783
-Number of transactions	1	46	12	10	2	71

*) includes sale price and transaction cost **)The acquisition from fellow subsidiaries of 868 apartments for SEK 2,119 million is included.

External valuation

	Number of properties	Fair value, SEK millions, CBRE	Fair value, SEK millions, Akelius	Deviation, SEK millions	Deviation per cent
Sweden	108	9,135	9,148	-12	-0.13
Germany	104	19,031	18,986	45	0,24
Canada	28	3,369	3,432	-63	-1,87
England	40	2,922	2,788	133	4,57
Total	280	34,457	34,354	103	0.30

Profit for the year 2014

Operating surplus SEK 1,882 million

Consolidated rental income for the year increased by SEK 577 million to SEK 3,602 million (3,025). Out of the total increase in revenue, SEK 495 million is attributable to the purchase of new properties and SEK 82 million is due to increased rents on comparable properties.

Adjusted for changes in exchange rates, rental income for comparable properties increased by 3.4 per cent compared to the same period in 2013.

Property expenses amounted to SEK 1,720 million (1,446), of which SEK 314 million (303) was in respect of maintenance, corresponding to an average annual expense of SEK 97 per square metre.

The operating surplus for comparable properties increased by 7.1 per cent. For the total portfolio, the operating surplus margin was 52.2 per cent (52.2).

SEK/ sq m	2014	2013
Rental income	1,114	1,086
Maintenance expenses	-97	-109
Usage bonds expenses	-182	-191
Operating expenses	-112	-112
Property tax	-31	-24
Site leasehold fee	-1	-1
Property administration*	-109	-82
Total operating surplus	582	567

*) Property administration includes cost for new construction managers hired during 2014

Increase in value properties

3.2 per cent

The increase in value of the property holding was SEK 1,412 million (1,569) for the period, equivalent to 3.2 per cent (4.4). The increase in value is due to increased rental income.

Net financial items SEK -1,225 million

Income from financial items for the year was SEK 8 million (8) and financial expenses were SEK 1,231 million (1,257).

The Group's interest expenses decreased by SEK 11 million compared to last year.

Lower financial costs combined with an increasing net operating income resulted in the interest coverage ratio raising from 1.2 to 1.5.

At year end, the average interest rate was 3.94 percent of total borrowings, 0.81 percentage points lower than at the beginning of the year.

The lower interest rates combined with a lower loan-to-value ratio is expected to have positive impact on the company's earnings in future years.

Change in fair value of derivatives

SEK -1,149 million

During the year, derivative financial instruments declined in value by SEK -1,149 million (1,138), mainly due to the fall in market interest rates.

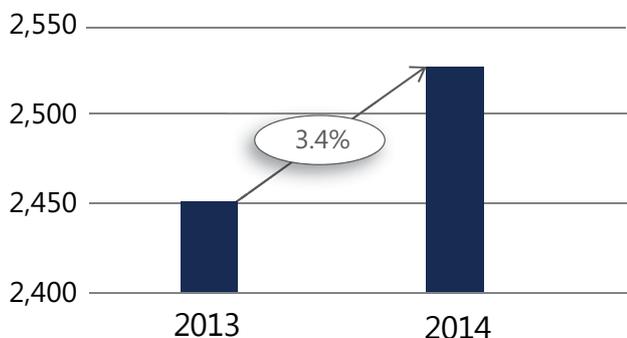
Net profit before tax SEK 852 million

Net profit before tax was SEK 852 million (2,897), negatively impacted by a decrease in fair value of derivative financial instruments of SEK -1,149 million (1,138).

Tax

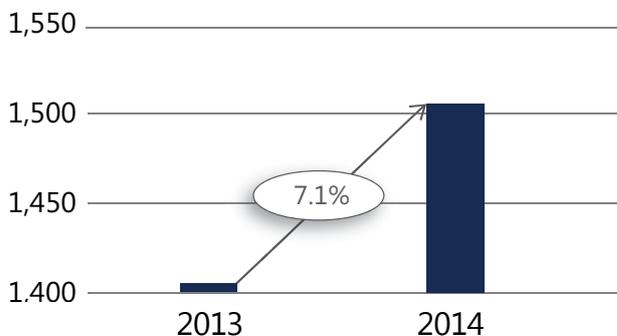
Total tax expense for the period amounted to SEK 350 million (677), mainly related to deferred tax from unrealised value increase in the property portfolio. The total deferred taxes net liability balance was SEK 2,375 (2,032) at the end of the year, mainly related to investment properties.

Rental income, comparable properties
SEK millions



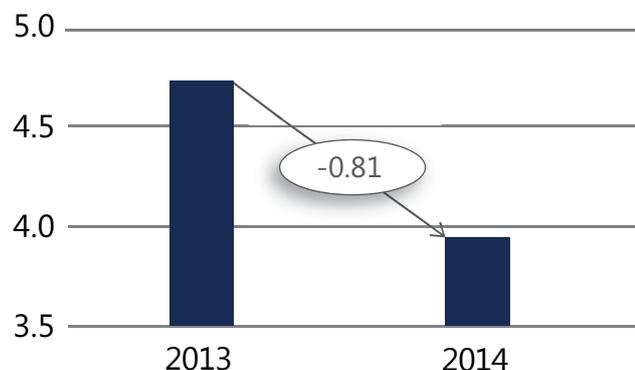
First Class upgrades create rent increases.

Operating surplus, comparable properties
SEK millions



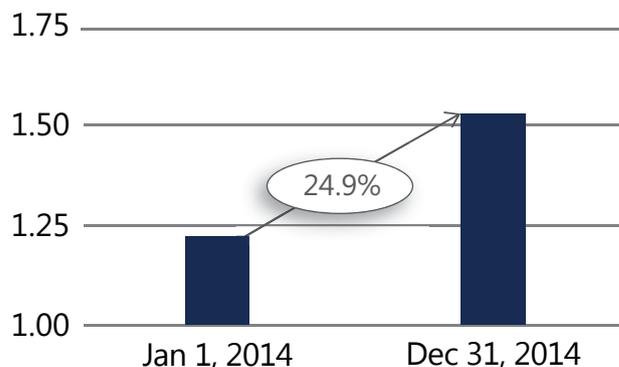
Streamlined operation creates operating surplus.

Average interest rate
per cent



During 2014, the average interest rate dropped 0.81 percentage points from 4.75 to 3.94 per cent.

Interest coverage rate, total loans
times



Decrease in interest rate combined with increases in operating surplus increases the interest coverage rate.

Strong capital structure, low refinancing risk

Profits are reinvested in the company, which leads to a growing amount of ordinary equity. A high level of equity enables Akelius to combine financial prudence with the ability to grow.

38 per cent equity ratio

During 2014, equity increased to SEK 22,583 million, equivalent to an equity ratio of 38 per cent.

In 2014, Akelius Residential Property paid dividends totalling SEK 4,200 million, registered common share issues for SEK 5,003 million, issued preference shares for SEK 4,020 million and recognised a EUR 150 million hybrid bond loan in equity. The preference shares are listed on Nasdaq First North. At year end, the company had 16,000 shareholders.

Akelius Residential Property has also implemented a share split, entitling shareholders to receive 4,449 new shares for each share owned.

Loan-to-value 52 per cent

The Group's borrowings increased by SEK 4,816 million to a total of SEK 30,336 million.

During 2014, the loan-to-value ratio decreased from 56 per cent to 52 per cent, in line with the ambition to maintain a strong financial position.

Secured loans from 28 banks

We have developed long-lasting relationships with banks in their respective markets.

At year-end 2014, Akelius borrows from 28 local banks in Sweden, Germany, England and Canada. Borrowings from banks in several countries reduces dependency on the financial strength of each country and bank.

The secured loans increased by SEK 5,194 million to SEK 27,666 million. The loan-to-value on the secured loans was 47 per cent.

Assets pledged to banks increased during the year, from SEK 25,545 million to SEK 28,995 million, primarily related to the purchase of properties.

Deposits from 37,000 customers

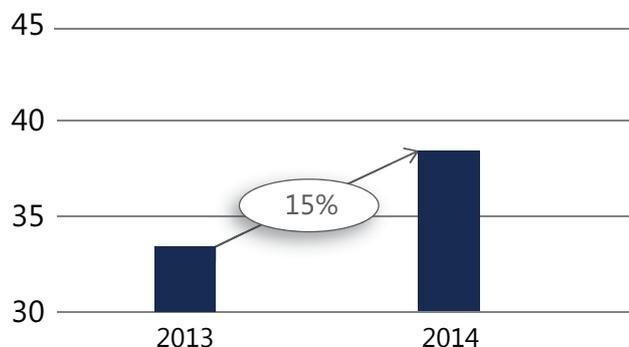
37,000 private customers have deposited savings without security totalling SEK 547 million. The deposits are made in Akelius Residential Property's subsidiary Akelius Spar AB.

Two listed bonds

At year-end 2014, Akelius had two listed unsecured bonds, one of SEK 848 million, maturing in June 2015, and one of SEK 350 million, maturing in March 2018. The bonds are listed on Nasdaq Stockholm.

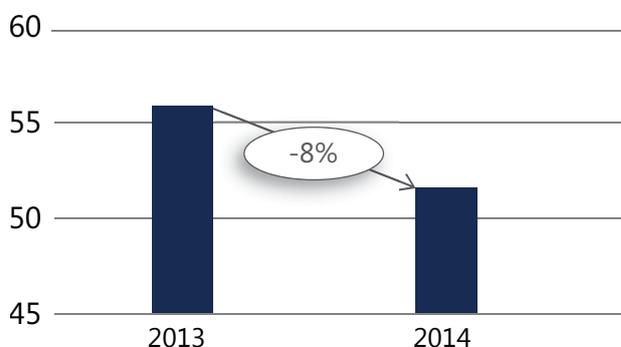
At year-end 2014, Akelius had unpledged properties in the amount of SEK 4,938 million, equivalent to 4.1 times the unsecured bonds.

Equity ratio per cent



The equity ratio increased by 15 per cent in 2014.

Loan-to-value on total borrowing per cent



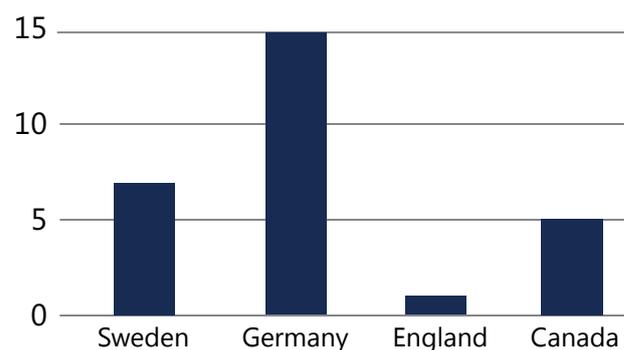
The ambition is to reduce the loan-to-value ratio to 50 per cent during 2015.

Interest-bearing debt

	SEK million	Share
- Deposits	547	2%
- Intra-group loans	924	3%
- Bond 1, June 2015	848	3%
- Bond 2, March 2018	350	1%
Unsecured borrowings	2,670	9%
Secured borrowings	27,666	91%
Total borrowings	30,336	100%
Loan-to-value secured loans	47%	
Loan-to-value total	52%	

91 per cent of funding is raised with mortgages as security.

Number of banks per country at 31 December 2014



The total number of banks is 28. Diversified funding reduces risk.

Minimising financial risk

Minimizing currency risk

The goal is to minimise the impact of currency fluctuations on the equity ratio. This is achieved by having a currency position in each currency that equals the group equity ratio. Today, variations in exchange rates have very little effect on the equity ratio.

A constant high equity ratio give lower risk for the company's owner, creditors and other stakeholders.

Capital tied up for 4.5 years

Total interest-bearing debt was on average tied up for 4.5 years, compared to 4.6 at the end of 2013.

The loans that mature within one year amount to SEK 3,816 million.

Minimizing refinancing risk

The refinancing risk is mitigated by highly diversified funding, a low loan-to-value ratio and assets that both generates a stable cash flow and have a stable value.

The refinancing process for larger loans starts 18 months prior to maturity with the ambition to prolong them one year in advance. For small loans, the refinancing process usually starts nine months in advance. Binding term sheets are usually collected prior to the refinancing day.

Upgrading properties to First Class provides high value growth that quickly reduces the loan-to-value ratio. This means that, when refinancing secured loans, the loan-to-value ratio is usually lower than the average of 47 per cent, which reduces the refinancing risk.

The low loan-to-value ratio on the secured loans reduces the refinancing risk of the unsecured loans. The secured loans can easily be increased and fully replace the unsecured loans.

The ability to raise capital through issuances of shares or bonds further reduces the refinancing risk. In 2014, Akelius raised more than SEK 4 billion through the capital market and SEK 6 billion through the bank market.

Interest rate hedge of 4.2 years

With long-term interest rate hedges a sudden change in interest rates has little effect on interest costs.

Of the SEK 30,336 million in borrowings, SEK 8,581 million had a fixed interest rate term of less than one year and SEK 8,980 million had a fixed interest rate term of more than five years. The average interest rate hedge was 4.2 years as compared to 5.0 at the end of 2013.

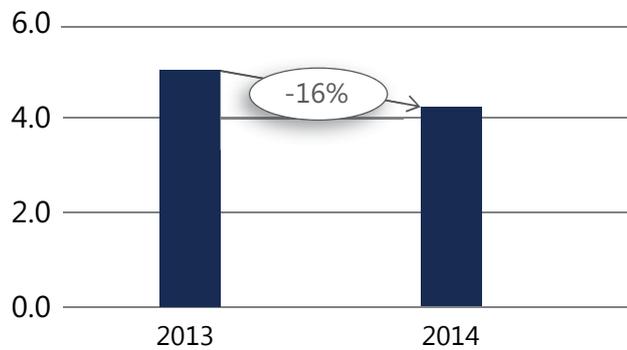
Liquidity SEK 1,765 million

At the end of the year, available funds in the form of cash and secured but unutilised credit facilities amounted to SEK 1,765 million in total, compared to SEK 1,597 million at year-end 2013. The non-mortgaged share of the properties' fair value corresponded to SEK 30,061 million.

First Class properties centrally located in metropolitan areas with a liquid transaction market see high demand, which creates a hidden liquidity reserve. With a lead time of three to six months, large sales can be made.

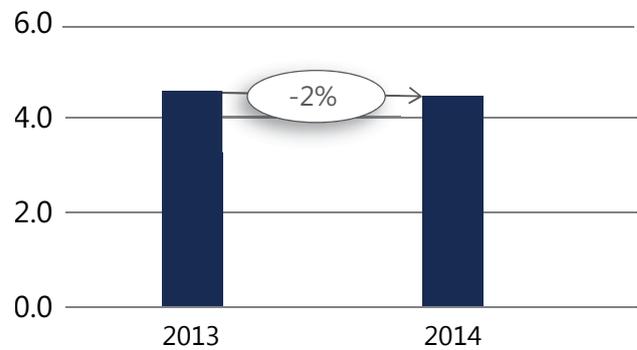
The company has, after year-end 2014, decided to enhance the liquidity to SEK 3,000 million and to increase the share of loans with capital tied-up on long-term.

Interest hedges, total borrowings years



The average interest hedge was 4.2 years at the end of 2014.

Capital tied-up, total borrowings years

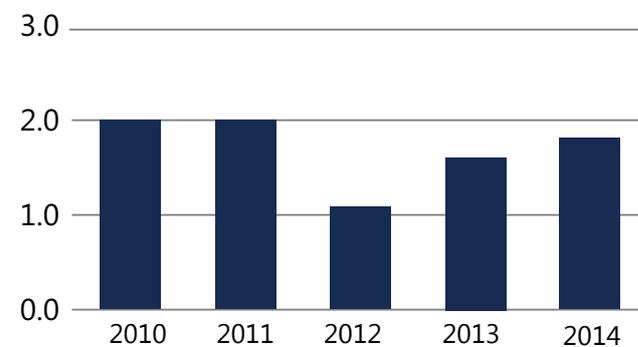


Total borrowings was on average tied up for 4.5 years at the end of 2014.

Borrowings maturing in 2015

Capital Source	SEK millions	Loan-to- value
- CMLS	45	34%
- ScotiaBank	303	50%
- TD Bank	115	35%
- Aareal	21	31%
- Berlin Hyp	436	54%
- Berlin Spk	454	50%
- Hypovereinsbank	97	52%
- Warburg Hyp	150	56%
- Handelsbanken	550	59%
- Other	73	
- Short-term part of long-term loan	165	
Secured	2,408	
Akelius Spar, deposits	547	
Bond 1, June 2015	849	
Other	12	
Unsecured	1,408	
Total	3,816	

Liquidity SEK billions



Average liquidity over the past five years was SEK 1.7 billion. At the end of 2014, liquidity was SEK 1.8 billion.

Other financial information

Cash flow

Operating activities generated a cash flow of SEK 702 million (318). Net cash from investing activities was SEK -10,657 million (-6,570). Cash flow from purchases of properties is secured before signing purchase agreements. Profitable and non-mandatory upgrades to First Class can, if needed, be stopped within a three-month period. Cash flow from financing activities was SEK 10,174 million (6,283).

Parent company's

The parent company's net financial income for the period amounted to SEK -8 million (-308) while profit before tax totalled SEK -624 million (383), which is attributable to negative changes in fair value of derivative financial instruments of SEK -440 million (253). During the period, Akelius Residential Property AB paid SEK 4,148 million in dividends, issued common shares totalling SEK 5,003 million and preference shares totalling of SEK 4,020 million and issued a new unsecured bond loan of SEK 350 million.

Proposed appropriation of profits

The Annual General Meeting has at its disposal in the Parent Company profit brought forward amounting

to SEK 5,660,507,744, loss for the year amounting to SEK 486,969,226, making a total of SEK 5,173,538,518.

Proposal for appropriation of profits:

SEK 20 per preference share	255
To be carried forward for next year	4,918
Total disposed	5,174

The Board and the CEO propose that no dividend is paid to ordinary shareholders. The maximum dividend on outstanding preference shares will amount to SEK 20 per

share, totaling SEK 255 million. A dividend of SEK 5 per aktie shall be paid on the following dates; May 5 2015 August 5, 2015, November 5, 2015 and 5 februari 2016. The remaining earnings, 4,918,038,518 will be carried forward.

The proposal is based on all ordinary and preference shares outstanding as of 31 December 2014. The proposal could be changed in the event of additional share repurchases or if treasury shares are sold before the record day.

Board statement on the proposed dividend

The Group and the Parent Company have good liquidity and following the proposed dividend the equity to assets ratios of the Group and the Parent Company will be 38.0 per cent and 21.5 per cent respectively.

In the Board's assessment, which takes into account liquidity needs, the proposed business plan, investment plans and ability to raise long-term credit, there are no indications that the Group or the Parent Company will have insufficient equity following the proposed dividend. The Board hereby finds the proposed dividend justifiable with regards to Chapter 17, Article 3 of the Swedish Companies Act.

Important events after balance sheet.

In January 2015, 36 properties with 1,097 residential units were purchased in Germany. At the end of February, five properties with 169 residential units were bought in central Paris.

In January, the company issued bonds for SEK 500 million. The bonds mature in March 2018.

In March, the company repurchased bonds maturing March 27 2015. Repurchased bonds will be canceled. The nominal amount of bonds will then amount to SEK 695 million.



Hirschgraben 23, Hamburg, Germany
See map on page 20.



Hellkamp 69, Hamburg, Germany
See map on page 20.

Corporate Governance

Akelius Residential Property AB (publ) is a Swedish public limited company with its registered office in Danderyd, Stockholm County.

The Company shall own and manage properties and pursue other closely related activities.

The company's corporate governance is based on its Articles of Association, the Swedish Companies Act and other applicable laws and regulations.

The general mandate from the owner is to provide a high return with long-term stability. Ensuring this requires good corporate governance with clear divisions of responsibility between the owner, the Board and management.

Ownership structure

Akelius Apartments Ltd, Cyprus, owns 89.5 per cent of the shares. Xange Holding Ltd, Cyprus, owns 10.1 per cent of the shares and 0.4 per cent belong to the preference shareholders. Each preference share owner is entitled to one tenth of a vote.

Annual General Meeting

The Annual General Meeting of the shareholders is the Company's highest decision-making body through which the shareholders' right to decide on the Company's business is exercised. The Annual General Meeting makes decisions on changes to the Articles of Association and changes to equity. The Annual General Meeting appoints the Board and the company's auditors. The Articles of Association contain no special provisions regarding the appointment and dismissal of Board members or amendments to the Articles of Association.

Extraordinary meetings of the shareholders are held at the owner's request or if the Board considers it necessary.

At the Annual General Meeting of 14 April 2014, the accounts for 2013 were adopted and the Board of Directors and the Chief Executive Officer were discharged from liability for the 2013 financial year. Further, the Annual

General Meeting decided that dividend totalling SEK 1,000,000 should be distributed to the shareholder and that the Board until the time of the next Annual General Meeting should include five ordinary members.

It was also decided to implement a share split, increasing the number of shares to 2,104,650,000. The General Meeting also decided to increase the Company's share capital by SEK 178,572,000 through the issue of 297,620 000 shares with a value of SEK 0.60 per share with a deviation from the shareholders' preferential right. The subscription price was SEK 6.72. The premium was allocated to the share premium reserve. The meeting elected Öhrlings Pricewaterhouse-Coopers AB as auditor until the next annual general meeting.

The extraordinary general meeting of 25 April 2014, authorised the Board to register the company's shares with Euroclear Sweden AB.

The extraordinary general meeting of 12 May 2014, authorised the Board to issue of a maximum of 15,000,000 preference shares.

The extraordinary general meeting of 23 May 2014, authorised the Board to pay dividend at a maximal amount of SEK 15 per preference share. The dividend shall be paid in the amount of SEK 5 per preference share. The record dates were 5 August 2014, 5 November 2014 and 5 February 2015.

The extraordinary general meeting of 21 August 2014, authorised the Board to decide on two new additional directors of the Board and decided that Roger Akelius be given notice that his term as director should be terminated and he should be elected as deputy member instead. The meeting also decided to change the company's name to Akelius Residential Property AB.

The extraordinary general meeting of 18 December 2014, authorised the Board to decide on a dividend on the company's ordinary shares in the amount of SEK 1.25 per ordinary share. The meeting also decided to increase the Company's share capital via the

new issue of 480,454,000 new ordinary shares. The quotient value of existing shares is SEK 0.60. The new shares shall be issued at a price of SEK 6.25 per share. The premium of SEK 5.65 per share or the aggregated amount of SEK 2,714,565,100 shall be allocated to the share premium reserve.

The environment

Akelius Residential Property does not pursue any operations that require permits or registration in accordance with Chapter 9 Article 6 of the Swedish Environmental Code.

External auditing

According to the Articles of Association, the Annual General Meeting shall appoint at least one but no more than two auditors. The appointed auditors audit the annual accounts, the consolidated accounts, the subsidiaries' annual accounts and the administration of the Chief Executive Officer. The Annual General Meeting has appointed two auditors for the 2014 financial year.

Internal control

The Board has overall responsibility for internal control over corporate financial reporting. To ensure internal control, the Board has established a number of policies on the basis of an overall governance structure. Based on those policies, the Chief Executive Officer is responsible for designing internal processes and establishing internal policies and instructions. During 2014, a new financial policy, a routine for property valuation and a communication policy were developed.

Several processes and tools are in place within the Group to ensure efficient internal control. Below are some examples.

-The planning, governance and control of operations follows the organisation structure with clear delegations of responsibility and authority. Business plans are prepared for the Group as a whole as well as for

each operational department that reports directly to the Chief Executive Officer.

- Key operative indicators are reported every month providing important information on the business. Major system development to create a common operative data warehouse was completed in 2014.

Additionally, each legal entity in the Group reports financial statements on a quarterly basis.

- Approval from the Board is requested for important decision including the acquisition of new major properties.

- The clear delegation of authority are required in all subsidiaries.

- The "open door policy" is a process whereby employees can report on behaviour or actions that are possible violations of group policies.

Akelius has information and communication channels designed to ensure that information easily reaches all employees and managers.

Regular internal control reviews are performed internally as well as externally for the major subsidiaries. Additionally, the annual audits are prepared and conducted in close collaboration with the external auditors.

The Board has assessed that the control activities are sufficient. As such, at present an internal auditing department is considered unnecessary.

Board of Directors

The Board is appointed by the Annual General Meeting and shall, in accordance with the Articles of Association, comprise at least three and no more than seven members.

The Board's mandate period runs until the end of the first Annual General Meeting held the year after the members were appointed. In 2014, the Board had six members.

The Board's general mandate is responsibility for the organisation and administration of operations and for financial reporting. The Board is also responsible for establishing systems for governance, internal control and risk management.

The Board's work and responsibilities, and its division from the work and responsibilities of the Chief Executive Officer, are regulated by the Rules of Procedure and the instructions for the Chief Executive Officer that are established at the organisation meeting held directly after the Annual General Meeting.

The Board held 25 meetings in 2014. The board meetings dealt with matters of considerable importance to the company such as the establishment of business plans for the coming financial year, the finance policy and policies for governing operations and internal control, Rules of Procedure for the Board and instructions for the Chief Executive Officer, purchases and sales of properties and financing issues. Further, the Board was informed about the prevailing business climate in the property and credit markets.



Leif Norburg
Chair since 2010

Born 1947

Master of Science in Business and Economics. Former CEO of Danske Bank in Sweden.



Anders Janson

Board member since 2005

Born 1954

Solicitor and former CEO of Foyen AB. Specialises in property.



Pål Ahlsén

Board member and CEO since 2010

Born 1972

Economist. Employed since 2004. Previously Country Manager Germany.



Igor Rogulj

Board member since 2010

Born 1965

Architect. Has worked in Berlin for the past twenty years.



Michael Brusberg

Board member since 2014

Born 1964

Master of Science in Business and Economics. Former CEO of Jeppesen Systems AB.



Roger Akelius

Board deputy member since 2014 and founder in 1994

Born 1945

Experience from IBM, lecturer at Chalmers. Started Akelius Skatt and Akelius Insurance in the 1980s.



Staffan Jufors

Board member since 2014

Born 1951

Master of Science in Business and Economics. Former CEO of Volvo Lastvagnar AB.

Chief Executive Officer and Group Management

The Board appoints the Chief Executive Officer and each year establishes instructions regulating the divisions of work and responsibility between the Board and the Chief Executive Officer. The Chief Executive Officer is responsible for continuing operations and financial reporting and shall regularly report to the Board on the company's development in relation to the established governing documents.

Group Management

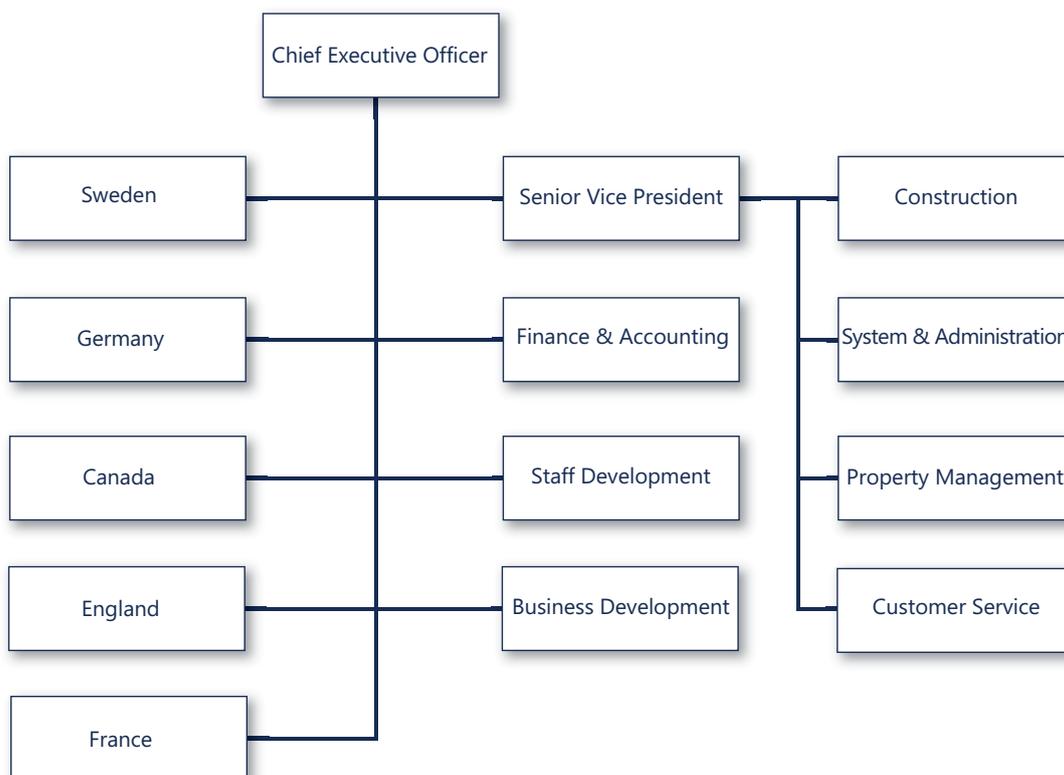
Operations are organised into four units, one for each country. To support the organisation, there are also central units for accounting, controlling, finance, IT, purchasing and training. Group management encompasses ten persons including the Chief Executive Officer.

Five country managers

The country managers are responsible for profitability in their respective countries. This means responsibility for property management, letting, service, upgrades, projects, purchases and sales, property valuations, accounting in subsidiaries and tax and VAT returns. The country organisations were staffed by 423 employees at year-end.

Group Administration

Group Administration is responsible for overarching accounting, tax matters and consolidating the Group's accounts, as well as financing and liquidity management. Further responsibilities include purchasing materials and StreamLine Production, IT and systems, education via Akelius University and controlling. Group Administration was staffed by 21 employees at year-end.



Key figures

	2014 31 Dec	2013 31 Dec	2012 31 Dec	2011 31 Dec	2010 31 Dec
Equity, SEK millions	22,583	15,169	9,970	8,567	8,211
Equity to assets ratio, per cent	38	33	27	26	28
Risk capital to assets ratio, per cent	47	46	39	41	46
Return on equity, per cent	9	24	27	4	8

Interest-bearing liabilities

Loan-to-value, secured loans, per cent	47	49	53	50	48
Loan-to-value, total loans, per cent	52	56	59	60	61
Interest coverage rate, secured loans	1.8	1.4	1.5	1.6	1.6
Interest coverage rate, total loans	1.5	1.2	1.2	1.3	1.2

Fixed interest rates

Average interest rate secured loans, per cent	3.80	4.42	4.63	4.94	5.28
Average interest rate total loans, per cent	3.94	4.75	4.85	5.26	5.63
Fixed interest term secured loans, year	4.4	5.3	5.7	5.8	5.8
Capital tied up secured loans, year	4.9	4.8	5.3	6.0	5.0
Fixed interest term total loans, year	4.2	5.0	5.4	5.6	5.7
Capital tied up total loans, year	4.5	4.6	5.0	5.7	5.2

Properties

Number of apartments	47,896	41,319	35,443	35,151	31,502
Rentable area, thousand sq m	3,472	2,992	2,576	2,632	2,424
Growth in rental income*, per cent	3.4	5.8	4.4	3.8	-
Growth in operating surplus*, per cent	7.1	6.7	4.1	8.3	-
Real vacancy rate residential, per cent	1.0	0.7	0.7	0.7	0.6

Fair value properties, SEK millions

Opening balance	44,104	35,437	32,352	28,269	29,255
Exchange differences	1,745	454	-359	-44	-839
Change in fair value	1,412	1,569	2,671	1,025	356
Investments	1,881	1,531	1,493	1,138	917
Acquisition	9,678	6,901	1,663	3,792	972
Sales	-1,084	-1,801	-2,383	-1,828	-2,392
Reclassification	-	13	-	-	-
Closing balance	57,736	44,104	35,437	32,352	28,269
Fair value, per sq m	16,629	14,736	13,755	12,292	11,662
Required yield, per cent	4.72	4.75	4.73	5.07	5.09
Change in required yield*, per cent	0.01	-0.01	-0.28	0.01	-

*For comparable property holdings.

	2014	2013	2012	2011	2010
	31 Dec				
Properties Sweden					
Average residential rent, SEK/sq m/year	1,156	1,114	1,074	1,026	967
Growth in average residential rent*, per cent	3.7	5.8	5.0	5.1	1.9
Growth in rental income*, per cent	3.5	5.5	3.8	-	-
Growth in operating surplus*, per cent	8.0	3.3	5.2	-	-
Fair value, SEK m	29,571	26,784	23,456	22,574	21,377
Fair value, SEK per sq m	14,899	14,115	13,809	12,055	11,435
Required yield, per cent	4.78	4.84	4.79	5.15	5.15
Number of apartments	24,407	23,867	21,707	23,354	22,926

Properties Germany					
Average residential rent, EUR/sq m/month	7.77	7.71	7.52	7.19	6.85
Growth in average residential rent*, per cent	5.4	5.6	5.6	7.0	4.0
Growth in rental income*, per cent	3.1	6.8	6.8	-	-
Growth in operating surplus*, per cent	5.8	13.7	1.0	-	-
Fair value, SEK m	21,171	15,549	11,981	9,778	6,892
Fair value, SEK per sq m	16,752	15,398	13,649	12,903	12,623
Required yield, per cent	4.72	4.64	4.64	4.87	4.91
Number of apartments	19,423	15,769	13,736	11,797	8,576

Properties Canada**					
Average residential rent, CAD/sq ft/month	1.83	1.94	2.01	1.34	-
Growth in average residential rent*, per cent	6.6	7.7	11.2	-	-
Growth in rental income*, per cent	7.0	20.6	-	-	-
Growth in operating surplus*, per cent	-17.8	56.4	-	-	-
Fair value, SEK m	3,432	1,758	1,074	26	-
Fair value, SEK per sq m	21,808	20,710	22,026	19,833	-
Required yield, per cent	4.55	4.47	4.52	4.25	-
Number of apartments	2,823	1,683	1,046	17	-

*For comparable property holdings.

** Parts of the property portfolio in Toronto, Canada was bought from a fellow subsidiary at the end of 2013. The tables above show the development as if the properties had been owned since 2011.

	2014	2013	2012	2011	2010
	31 Dec				
Properties England**					
Average residential rent, GBP/sq ft/month	1.74	1.55	1.54	1.04	-
Growth in average residential rent*, per cent	11.3	0.1	13.7	-	-
Growth in rental income*, per cent	5.9	29.0	-	-	-
Growth in operating surplus*, per cent	9.3	31.7	-	-	-
Fair value, SEK m	3,395	1,792	1,580	145	-
Fair value, SEK per sq m	53,606	36,430	32,730	22,872	-
Required yield, per cent	4.36	4.64	4.53	4.77	-
Number of apartments	1,153	870	870	97	-
Properties France					
Average residential rent, EUR/sq m/month	21.31	-	-	-	-
Growth in average residential rent*, per cent	-	-	-	-	-
Growth in rental income*, per cent	-	-	-	-	-
Growth in operating surplus*, per cent	-	-	-	-	-
Fair value, SEK m	166	-	-	-	-
Fair value, SEK per sq m	60,732	-	-	-	-
Required yield, per cent	4.11	-	-	-	-
Number of apartments	90	-	-	-	-

*For comparable property holdings.

** Parts of the property portfolio in England was bought from fellow subsidiaries during March 2014. The tables above show the development as if the properties had been owned since 2011.

Consolidated income statement

SEK millions	2014	2013	Note
Rental income	3,602	3,025	6
Operating costs	-1,406	-1,143	7
Maintenance	-314	-303	
Operating surplus	1,882	1,579	
Central administration	-54	-55	9, 10
Other income and expenses	-14	-85	8
Net gain on revaluation of investment properties	1,412	1,569	11
Operating profit	3,226	3,008	
Interest income	7	8	13
Interest expenses	-1,191	-1,203	13
Other financial income and expenses	-39	-54	13
Change in fair value of derivative financial instruments	-1,149	1,138	
Profit before tax	852	2,897	
Tax	-350	-677	15
Profit for the year	503	2,220	
Items that may be reclassified subsequently to profit and loss			
Translation difference	745	206	
Total comprehensive income for the year	1,248	2,426	
Profit attributable to:			
- Owners of the parent	503	2,216	
- Non-controlling interest	0	4	
Total comprehensive income attributable to:			
- Owners of the parent	1,245	2,422	
- Non-controlling interest	3	4	
Earnings per share before and after dilution, SEK	0.15	1.21	

Notes on page 65 to 96 form part of these consolidated and parent company financial statements.

Consolidated statement of financial position

SEK millions	31 Dec 2014	31 Dec 2013	Note
Assets			
Intangible fixed assets	14	-	17
Investment property	57,736	44,104	16
Tangible fixed assets	21	18	17
Derivative financial instruments	-	100	22
Deferred tax	9	663	15
Financial fixed assets	119	204	19
Total non-current assets	57,899	45,089	
Trade and other receivables	612	544	19
Derivative financial instruments	0	0	22
Cash and cash equivalents	278	59	20
Total current assets	890	603	
Total assets	58,789	45,692	

Notes on page 65 to 96 form part of these consolidated and parent company financial statements.

Consolidated statement of financial position

SEK millions	31 Dec 2014	31 Dec 2013	Note
Equity and liabilities			
Ordinary shares	1,737	1,263	
Share premium	8,548	1,937	
Currency translation reserve	782	42	
Retained earnings	10,119	11,896	
Total equity attributable to parent company's shareholder	21,187	15,138	
Non-controlling interest	1,396	31	
Total equity	22,583	15,169	25
Borrowings	26,519	22,398	21
Derivative financial instruments	2,466	1,496	22
Deferred tax	2,384	2,695	15
Other liabilities	33	25	23
Total non-current liabilities	31,403	26,614	
Borrowings	3,816	3,123	21
Derivative financial instruments	53	24	22
Trade and other payables	935	762	23
Total current liabilities	4,804	3,909	
Total equity and liabilities	58,789	45,692	

Notes on page 65 to 96 form part of these consolidated and parent company financial statements.

Consolidated statement of change in equity

SEK millions	Attributable to parent company's shareholder					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Trans-lation reserve	Retained earnings				
Balance at 31 December 2012	400	-	-164	9,707	9,943	27	9,970	
Capital contribution	-	-	-	680	680	-	680	
Share issue	183	1,937	-	-	2,120	-	2,120	
Transfer share capital	680	-	-	-680	-	-	-	
Group contribution	-	-	-	-27	-27	-	-27	
Profit for the year	-	-	-	2,216	2,216	4	2,220	
Other comprehensive income	-	-	206	-	206	-	206	
Balance at 31 December 2013	1,263	1,937	42	11,896	15,138	31	15,169	
Acquired minority	-	-	-	-	-	41	41	
Redistribution	-	-	-	-7	-7	7	-	
Hybrid loan	-	-	-	-	-	1,365	1,365	
Dividend	-	-1,937	-	-2,211	-4,148	-52	-4,200	
Share issue	475	8,548	-	-63	8,960	-	8,960	
Profit for the year	-	-	-	503	503	-	503	
Other comprehensive income for the year	-	-	741	-	741	4	745	
Balance at 31 December 2014	1,737	8,548	782	10,119	21,187	1,396	22,583	

Notes on page 65 to 96 form part of these consolidated and parent company financial statements.

Consolidated statement of cash flows

SEK millions	2014 12 months	2013 12 months
Cash generated from operations	1,879	1,570
Interest paid	-1,173	-1,249
Income tax paid	-4	-3
Net cash generated from operating activities	702	318
Investments in intangible fixed assets	-14	-
Investments in properties	-1,881	-1,531
Acquisition of investment properties	-9,678	-6,901
Proceeds from sale of investment properties	1,064	1,765
Purchase and sale of other fixed assets	-149	97
Net cash used in investing activities	-10,657	-6,570
New share issue	8,960	2,120
Shareholder contribution	1,377	680
Borrowings	10,087	9,361
Repayment of loans	-6,043	-6,122
Purchase and sale of derivative instruments	-71	271
Group contribution	-	-27
Dividend	-4,136	-
Net cash used in financing activities	10,174	6,283
Cash flow for the year	219	31
Cash and cash equivalents at beginning of year	59	28
Cash and cash equivalents at end of year	278	59

Notes on page 65 to 96 form part of these consolidated and parent company financial statements.

Statement of comprehensive income for the parent company

SEK millions	2014 12 months	2013 12 months	Note
Rental income	-	51	6
Operating costs	-	-18	7
Maintenance	-	-6	
Operating surplus	-	27	
Depreciation, write-downs and reversals of fixed assets	-	-2	8, 17
Gross profit	-	25	
Administration expenses	-55	-116	9, 10
Other income	16	61	8
Profit from sales of properties	-	76	
Operating profit	-38	46	
Profit from shares in subsidiaries	-	498	12
Finance income	1,093	656	13
Finance expenses	-1,101	-964	13
Change in fair value of derivatives	-440	253	
Profit before appropriations	-486	489	
Appropriations	-138	-106	14
Profit before tax	-624	383	
Tax	137	94	15
Profit for the year	-487	477	
Comprehensive income	-487	477	

Statement of financial position for the parent company

SEK millions	31 Dec 2014	31 Dec 2013	Note
Assets			
Intangible assets	5	-	
Total tangible fixed assets	5	-	
Shares in subsidiaries	13,270	10,806	18
Receivables from group companies	1,055	3,262	19
Deferred income tax assets	377	240	15
Total financial fixed assets	14,702	14,308	
Total non-current assets	14 706	14,308	
Receivables from group companies	7,911	82	19
Other current receivables	7	2	
Prepaid expenses and accrued income	58	6	
Cash and cash equivalents	155	1	20
Total current assets	8,131	91	
Total assets	22,838	14,399	

Statement of financial position for the parent company

SEK millions	31 Dec 2014	31 Dec 2013	Note
Equity and liabilities			
Share capital (2,895,499,000 shares)	1,737	1,263	25
Statutory reserve	28	28	
Revaluation reserve	70	70	
Total restricted equity	1,836	1,361	
Retained earnings	1,513	3,247	
Share premium reserve	8,548	1,937	
Profit for the year	-487	477	
Total non-restricted equity	9,574	5,661	
Total equity	11,410	7,022	25
Borrowings	3,108	2,424	21
Borrowings from group companies	2,510	224	21
Derivative financial instruments	671	231	22
Total non-current liabilities	6,289	2,879	
Borrowings	918	16	21
Borrowings from group companies	3,984	4,454	21
Accounts payable	2	6	
Other current liabilities	139	-	23
Accrued expenses and prepaid income	96	22	23
Total current liabilities	5,139	4,498	
Total equity and liabilities	22,838	14,399	
Securities pledged	380	-	24
Contingent obligations	22,845	19,385	24

Statement of change in equity for the parent company

SEK millions	Share capital	Statutory reserve	Re-valuation reserve	Retained earnings	Total	Share premium reserve	Total equity
Balance at 1 January 2013	400	28	70	3,247	3,745	-	3,745
Share issue	183	-	-	-	183	1,937	2,120
Bonus issue	680	-	-	-680	-	-	-
Capital contribution	-	-	-	680	680	-	680
Profit for the year	-	-	-	477	477	-	477
Balance at 31 December 2013	1,263	28	70	3,724	5,085	1,937	7,022
Issue of ordinary and preference shares	475	-	-	-	475	8 548	9 023
Dividend	-	-	-	-2,211	-2,211	-1,937	-4,148
Profit for the year	-	-	-	-487	-487	-	-487
Balance at 31 December 2014	1,737	28	70	1,026	2,862	8,548	11,410

Statement of cash flows for the parent company

SEK millions	2014 12 months	2013 12 months
Cash generated from operations	90	-96
Financial net paid	-18	-329
Net cash generated from operating activities	72	-425
Investments in tangible and intangible assets	-5	-16
Proceeds from sales of tangible assets	-	361
Proceeds from investments in subsidiaries	-138	413
Acquisition of subsidiaries	-2,464	-1,522
Proceeds from sales of subsidiaries	-	261
Investments in financial assets	-5,674	-3,262
Proceeds from sales of financial assets	-	-
Net cash used in investing activities	-8,281	-3,765
Proceeds from borrowings	13,219	6,559
Repayments of borrowings	-9,730	-5,325
Sale of derivative financial instruments	-	156
Proceeds from issuance of ordinary shares	9,023	2,120
Shareholder contribution	-	680
Paid dividend	-4,148	-
Net cash used in financing activities	8,364	4,190
Cash flow for the year	154	0
Cash and cash equivalents at beginning of year	1	1
Cash and cash equivalents at end of year	155	1

Accounting policies and notes to the accounts

Note 1 General information

The consolidated financial statements comprise Akelius Residential Property AB, the Parent company and its subsidiaries (together called "the Group" or "Akelius"). Akelius Residential Property AB is headquartered in Danderyd, Sweden.

The annual accounts and the consolidated accounts have been approved by the Board on 16 March 2015 and will be presented to the Annual General Meeting on 14 April 2015 for adoption.

Note 2 Significant accounting policies

The most important accounting policies applied in the preparation of these consolidated financial statements are presented below. These policies have been applied consistently for all years presented here, unless otherwise stated. The figures in this interim report have been rounded up or down, while the calculations have been made without rounding up or down. As a result, the figures in certain tables and key figures may appear not to add up correctly.

Note 2.1 Basis for preparing the accounts

The consolidated financial statements of the Akelius Residential Property Group have been prepared in accordance with the Swedish Annual Accounts Act, the International Financial Reporting Standards (IFRS), and IFRS IC interpretations as adopted by the EU, as well as the Swedish Financial Reporting Board's recommendation RFR 1: Supplementary Accounting Rules for Groups. The financial statements are prepared using the historical cost convention as modified by revaluation of investment property and financial assets and liabilities, including derivative financial instruments, at fair value through profit or loss and deferred tax, which is valued at nominal value.

The accounts of the Parent Company are prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2: Accounting for Legal Entities. Cases where the Parent Company applies different accounting policies to the Group are presented separately in section 2.18.

The Parent Company's functional currency is Swedish kronor, SEK, which is also the reporting currency for both the Parent Company and the Group. Unless otherwise stated, all amounts are reported in SEK millions and concern the period 1 January to 31 December for income statement items and 31 December for balance sheet items.

Preparing reports in compliance with IFRS and generally accepted accounting policies requires the use of significant accounting estimates. Furthermore, management must make judgments in the application of the Group's accounting policies. The areas that involve a high degree of judgment, that are complex or that are areas where assumptions and estimates are of considerable significance to the consolidated accounts are presented in note 4. Standards, amendments and interpretations that came into effect during the year have not had any significant impact on the Group.

Note 2.2 Classification

Non-current assets and non-current liabilities comprise amounts that are expected to be recovered or paid more than twelve months after the balance sheet date. Current assets and current liabilities comprise amounts that are expected to be recovered or paid within twelve months of the balance sheet date.

Note 2.3 Basis of consolidation

Subsidiaries are companies in which the Parent Company, either directly or indirectly, has a controlling influence and the

right to determine financial and operational strategies. Subsidiaries are included in the consolidated financial statements as of the day the controlling influence is transferred to the Group and are excluded from the consolidated financial statements as of the day the controlling influence ceases. Intra-group transactions, balance sheet items, and income and expenses from transactions between group companies are eliminated.

When a company is acquired the acquisition comprises either the acquisition of a business or the acquisition of assets. The acquisition is classed as the acquisition of assets if the acquisition concerns property, with or without rental agreements, and does not otherwise provide the Group with unique expertise. Other acquisitions are business combinations.

The subsidiaries are initially recognised in the consolidated financial statements using the acquisition method, which means that the subsidiaries' equity, established as the difference between the fair values of the assets and liabilities, is completely eliminated. Acquisition-related costs are expensed as they arise. Since the acquisition of subsidiaries does not concern the acquisition of operations but rather the acquisition of net assets in the shape of investment property, the acquisition cost is distributed between the acquired net assets in the acquisition analysis.

Note 2.4 Segment reporting

Operating segments are reported in accordance with the internal reporting prepared for the most senior managing director. The most senior managing director is the function that is responsible for allocating resources and assessing the results of the operating segments.

Operations have been organised based on the geographic divisions between Sweden, Germany, England, Canada and France. Sweden and Germany are material to the Group and are therefore reported separately. England, Canada and France are reported together as a separate operating segment.

Note 2.5 Translation of foreign currencies

Functional currency and reporting currency

Items included in the financial statements for the different units in the Group are valued in the currency used in the economic environment in which each company primarily operates, that is, the functional currency. The consolidated financial statements are reported in Swedish kronor, SEK, which is the Group's reporting currency.

Transactions and balance sheet items

Transactions in foreign currencies are translated into the functional currency at the exchange rates that apply on the transaction day or the day on which the items are revalued. Exchange gains and losses that arise in the payment of such transactions and in the translation of monetary assets and liabilities held in foreign currencies at the balance sheet date exchange rate are reported under operating profit in the income statement. Exchange gains and losses attributable to loans and liquid assets are reported in the income statement as financial income or expenses. Exceptions are when the loans comprise hedges that fulfil the conditions for the hedge accounting of net investments, in which case gains and losses are reported under "Other comprehensive income". Akelius does not apply hedge accounting.

Translation of foreign group companies

The profit and financial position of all group companies with a functional currency other than the reporting currency are translated into the Group's reporting currency as follows:

- The assets and liabilities in each balance sheet are translated at the balance sheet date exchange rate.
- The income and expenses in each income statement are translated at the average exchange rate.
- Exchange rate differences that arise during translation are reported under "Other comprehensive income".

Note 2.6 Income and expenses

Rental income

Rental income is recognised in the period to which it relates. In the event a rental agreement is terminated prematurely, the income is distributed over the original agreement period unless a new agreement is signed, in which case the amount is recognised in its entirety.

Income from property sales

Income from property sales is recorded on the date of possession, unless this conflicts with any special terms of the acquisition agreement.

Administration expenses

The Group's expenses for administration are divided into property administration, which is included in the operating surplus, and central administration, which encompasses expenses for Group Management and Group functions.

Financial income and expenses

Financial income comprises interest income and interest subsidies while financial expenses comprise interest expenses and other expenses for borrowing. Expenses for the issuing of mortgage deeds are reported when incurred as a financial expense with the exception of the issuing of mortgage deeds in conjunction with an acquisition, in which case the expense is capitalised as a value-enhancing investment. Interest income and interest expenses are calculated using the effective interest rate method. Financial income and expenses are recorded in the period they concern.

Note 2.7 Leases

Akelius as the lessee

Leases where a considerable share of the risks and benefits associated with ownership are retained by the lessor are classified as operating leases. Payments made throughout the term of the lease are charged to the income statement linearly throughout this period. The Group only holds leases classified as operating leases.

The Group's leases encompass offices, cars and office equipment. Reference is made to note 17.

Akelius as the lessor

Leases where essentially all risks and benefits associated with ownership fall to the lessor are classified as operating leases. As a consequence, all of the Group's rental agreements are classified as operating leases. Properties that are let under operating leases are included in the item investment property. The policy for reporting rental income is presented in section 2.6

Note 2.8 Investment property

Investment property is held in order to generate rental income and increases in value. Investment property comprises freehold land and freehold buildings. Investment property is initially recognised at acquisition value, including directly attributable transaction costs. After initial recognition, investment property is recognised at fair value. Fair value is based in the first instance on prices on an active market and is the amount for which an asset could be transferred between initiated parties that are independent of one another and that have an interest in conducting the transaction. In order to establish the fair value of investment property for the annual accounts, all properties are valued. See the section "Valuation of properties".

Changes in the fair value of investment property are reported as changes in value in the income statement. .

Additional expenses are capitalised only when it is probable that future economic benefits associated with the asset will fall to the Group and the expense can be established reliably and the action concerns the replacement of an existing or the introduction of a new identified component. Repair and maintenance expenses are continually expensed in the periods in which they arise. Investment properties are valued according to Level 3.

Note 2.9 Intangible assets, property, plant and equipment

Intangible assets, property, plant and equipment are recognised at acquisition value with deductions for depreciation. The acquisition value includes expenses that are directly attributable to the acquisition of the asset. They are depreciated linearly throughout each asset's estimated useful life. The estimated useful life is five years.

Note 2.10 Impairment

Tangible assets and intangible assets are written down by the amount by which its book value exceeds its recoverable amount. The recoverable amount is the greater of the assets' fair value reduced by sales expenses and its value in use. Investment property is recognised in the consolidated accounts at fair value through the income statement and as such is not covered by the above principle on impairment.

Note 2.11 Financial instruments

Financial instruments recognised in the balance sheet comprise, among assets, liquid funds, accounts receivable and other receivables, and derivative instruments. Liabilities include accounts payable and other liabilities, loans and derivative instruments. Financial instruments are initially recognised at fair value plus transaction costs, with the exception of a financial asset or liability valued at fair value through the income statement. As such, the method of recognition depends on how the financial instrument has been classified as described below.

Liquid assets

Liquid assets include cash, bank balances and other current investments maturing within three months of the acquisition date. Liquid assets are reported at nominal value.

Trade receivables

Trade receivables are amounts to be paid by customers for goods and sold services performed in continuing operations. If payment is expected within one year, they are classified as current assets. If not, they

are recorded as non-current assets. Trade receivables are initially recognised at fair value and thereafter at accrued acquisition value using the effective interest rate method, less provisions for impairment.

Accounts payable and other liabilities

Accounts payable are obligations to pay for goods or services acquired in continuing operations from suppliers. Accounts payable and other current liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowing is initially recognised at fair value, net after transaction costs. Thereafter, borrowing is recognised at accrued acquisition value and any difference between the received amount, net after transaction costs, and the repayment amount reported in the income statement distributed over the term of the loan, using the effective interest rate method.

Derivative instruments

Net investment hedge

In accordance with the Group's finance policy, exchange rate risks are to be limited by financing about 70 per cent of the cost of overseas investments in the local functional currency. This is achieved in part by the overseas company raising loans and in part by another company in the Group raising loans in the functional currency to be hedged. The effective part of the exchange rate fluctuation is reported under "Other comprehensive income" and the ineffective part is reported as financial income or a financial expense in the income statement.

Interest rate derivative

Akelius Residential Property uses derivatives in accordance with the Group's finance policy to achieve the desired average fixed-interest term and interest risks. The Group does not apply hedge accounting for interest rate derivatives. Derivative instruments are reported in the balance sheet as of the contract date and are valued continuously at fair value through profit or

loss. The market price used for derivatives is the bid price, while for financial liabilities the ask price is employed. The fair value of derivatives not listed on an active market is determined according to valuation techniques, based on a series of methods and assumptions relating to market conditions as of the reporting date.

Note 2.12 Employee benefits

For employees in Sweden, the ITP 2 defined benefit retirement and family occupational pension plan is secured with an insurance policy from Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 3 Classification of ITP Plans Financed by Insurance from Alecta, this is a defined benefit plan encompassing several employers. For the 2014 financial year, the company has not had access to information that would enable the reporting of its proportional share of the plan's obligations, managed assets and expenses, which means it has not been possible to report the plan as a defined benefit plan. As such, the ITP 2 pension plan secured with an insurance policy from Alecta is reported as a defined contribution plan. The company's obligations for pensions for employees in Germany, Canada, England and France are reported as a defined contribution plan.

Note 2.13 Current and deferred tax

The tax expense for the year includes current and deferred tax. The current tax expense is calculated based on the tax regulations that as of the balance sheet date are adopted or for all intents and purposes adopted in the countries in which the Parent Company and its subsidiaries operate and generate taxable income. Deferred tax is reported, using the balance sheet liability method, for all temporary differences that arise between the values for tax purposes of assets and liabilities and their book values in the consolidated financial statement. However, the deferred tax is not reported if it arises due to a transaction that comprises the initial recognition of an asset or a liability that is not a business combination and that, at the time of the transaction, affects neither profit

nor taxable profit. Deferred income tax is calculated using tax rates that have been decided or announced as per the balance sheet date and that are expected to apply when the concerned deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are reported to the extent it is probable that future taxable surpluses will be available, against which the temporary differences can be utilised. The utilisation of deferred tax assets and deferred tax liabilities takes place when the legal right to implement such offsetting exists.

Note 2.14 Provisions

Provisions are recognised when the Group has an existing legal or constructive obligation resulting from previous events, it is more probable that an outflow of resources will be required to settle the obligation than not, and the amount has been calculated in a reliable manner. Provisions are classified as current liabilities unless the Group has an unconditional right to postpone payment of the liability until at least twelve months after the balance sheet date, in which case it is classified as a non-current liability.

Note 2.15 Cash flow statements

cash flow statement is prepared using the indirect method. This means that operating profit is adjusted for transactions that do not entail incoming or outgoing payments during the year and for any income and expenses attributable to cash flow from investing or financing activities.

Note 2.16 Related-party transaction

Regarding the Group's related-party transactions, please see note 10, Remuneration to senior executives and note 26, Related-party transactions.

Note 2.17 New and amended standards

New standards, amendments and interpretations adopted by the Group, adopted by the EU. The following standards have been adopted by the Group for the first time for the finan-

cial year beginning on or after 1 January 2014 and had no material impact on the group:

- IFRS 10 Consolidated Financial Statements is based on the existing policies and identifies control as the determining factor in establishing whether a company shall be included in the consolidated accounts. The standard provides further guidance to help establish control when judgment is difficult to make. The Group has applied IFRS 10 as of the financial year beginning 1 January 2014. It had no material impact.
- IFRS 12 Disclosure of Interests in Other Entities encompasses disclosure requirements for subsidiaries, joint arrangements, associated companies and non-consolidated structured entities. The Group has applied IFRS 12 as of the financial year beginning 1 January 2014. It had no material impact.
- IFRIC 21 Levies sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 Provisions. The interpretation addresses what the obligating event is that gives rise to the need to pay a levy and when a liability should be recognised. As of 2014, Akelius Residential Property applies IFRIC 21 Levies and has reported in the interim report for January-December 2014 the total amount of the annual property tax liability. Additionally, a prepaid expense has been reported and is amortised on a straight-line basis over the financial year.

New standards, amendments and interpretations not yet adopted

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments.

The group is yet to assess IFRS 9s full impact.

Note 2.18 Parent company accounting policies

The Parent Company applies the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities. The Parent Company

applies different accounting policies to the Group in the cases below.

Forms of presentation

The income statement and the balance sheet are presented in accordance with the Swedish Annual Accounts Act. This entails differences compared to the consolidated accounts, primarily as regards financial income and expenses, comprehensive income, provisions and changes in equity. The presentation of some notes also differs compared to the consolidated accounts.

Participations in group companies

Participations in group companies are recognised at acquisition value with deductions for any impairment. The acquisition value includes acquisition-related costs and any additional acquisition price. When there are indications that participations in group companies have decreased in value, the recoverable amount is calculated. If this is lower than the book value, the participation is impaired. Impairment is reported under the item "Profit from participations in group companies".

Financial instruments

Financial instruments are not recognised in accordance with IAS 39, Financial Instruments: Recognition and Measurement. Instead, they are recognised using the acquisition method in accordance with the Swedish Annual Accounts Act. Derivative instruments held by the company primarily comprise interest rate swaps, which are used to hedge interest rate risk exposure. Interest rate differences that are to be received or paid as a result of interest rate swaps are reported under the item financial expenses and are distributed over the agreement period.

Group contributions

Provided and received group contributions are reported in the income statement. In 2014, the Swedish Annual Accounts Act and RFR 2 - Accounting for Legal Entities adjusted the Swedish accounting rules to IFRS. Changes were made in 2014 and had no impact.

Note 3 Risk management

Akelius is exposed to various risks in its operations including rental income, fair value property risks and financial risks, such as funding and liquidity risks, interest rate risk, currency risk and credit risk.

Rental income risks

Akelius Residential Property business concept entails the long-term ownership, development and management of residential properties able to generate constantly growing cash flow. The operational risk is limited by keeping the focus of the property portfolio on residential properties in locations experiencing population growth. Strong rental markets for housing in Sweden, Germany, Canada, England and France reduce the risk of long-term vacancies. Current rent levels enable future increases in rent and thereby increases in value. A one per cent change in rental income corresponds to a change in income of SEK 30 million.

Fair value of properties risk

Investment property is recognised at fair

value with change in value reported in the income statement. The value is affected by the development of the expected operating surplus and required yield. See additional information on page 38, Property valuation.

Refinancing and liquidity risks

Refinancing risk is the risk that Akelius does not have access to adequate financing on acceptable terms at any point in time. Liquidity risk is the risk not to have access to its funds due to poor market liquidity. The refinancing risk is reduced by real estate credit being raised from 28 different lenders and by mortgaging the property portfolio to only 52 per cent (56) of its fair value. Liquidity is secured by entering long-term credit facility agreements with several banks. See additional information on page 44, Minimising risks.

The following table shows the maturity structure of Akelius's financial assets and liabilities. The figures are undiscounted cash flows based on contract dates and include both interest and nominal amounts:

	up to 1 year	1-5 years	Over 5 years
Other financial assets	-	115	3
Non-current financial assets	0	115	3
Trade receivables	63	-	-
Other financial assets	549	-	-
Cash and cash equivalents	278	-	-
Current financial assets	890	-	-
Total financial assets	890	115	3
Borrowings	-	20,044	6,475
Derivatives	-	987	1,479
Non-current financial liabilities	-	21,032	7,954
Borrowings	3,816	-	-
Derivatives	53	-	-
Trade payables	280	-	-
Other financial liabilities	655	-	-
Current financial liabilities	4,804	-	-
Total Financial liabilities	4,804	21,032	7,954

The refinancing process for larger loans starts 18 months prior to maturity with the ambition to prolong them one year in advance. For small loans, the refinancing process usually starts nine months in advance.

Note 3 Risk management, continuation

Interest rate risk

Interest rate risk is the risk that Akelius is negatively affected by changes in the interest rate level. In order to further reduce the risk, or fluctuations in cash flow, interest rates are fixed for long durations.

At the end of 2014, 30 per cent (40) of real estate credit had a fixed-interest term of more than five years and 28 per cent (16) had a fixed-interest term of less than one year. With consideration for the small proportion of loans with variable interest rates, a change in market interest rates has limited impact on profit. A one per cent change in market interest rates corresponds to a change of SEK 59 million (32) in interest expenses.

Interest derivatives are used to achieve the desired fixed interest rates. Changes in the value of the interest derivatives depend on how market interest rates develop in relation to the agreed interest rate and the remaining duration. At the end of the year, the undervalue of the derivative portfolio was SEK 2,519 million (1,520).

A parallel shift in the discount rate used to value the interest derivatives of one per cent would affect the value in the amount of SEK 727 million. If the remaining duration is reduced by one year the value would increase by SEK 464 million. Upon maturity, the fair value of a derivative agreement is completely dissolved and consequently the change in value over time has no effect on equity.

Currency risk

Akelius operates in various geographic markets and undertakes transactions denominated in foreign currencies and, consequently, is exposed to exchange rate fluctuations. This affects both transaction exposure (cash flow) and translation exposure (balance sheet).

Overseas investments shall be financed in the local currency so that the relation between net assets in the local currency and gross assets is on a level with the Group's equity/assets ratio.

This means that exchange rate fluctuations do not affect the Group's equity/assets ratio. In terms of risk, low variations in the equity/assets ratio are more important than low variations in equity expressed in the Group's functional currency, SEK.

This policy means that equity expressed in SEK changes with exchange rate fluctuations. A change of +/- 10 per cent in the SEK/EUR exchange rate, and the SEK/GBP exchange rate and the SEK/CAD exchange rate corresponds to a change in equity of SEK +/- 966 million. The equity/assets ratio changes by +/- 3.8 per cent. The equity/assets ratio changes because currency hedges from the turn of the year are not completely effective.

Currency rates used in the financial statements

	Year-end rate		Average rate	
	2014	2013	2014	2013
GBP - England	12.1388	10.7329	11.2917	10.1863
EUR - Germany, France	9.5155	8.9430	9.0968	8.6494
CAD - Canada	6.7196	6.0720	6.2089	6.3259

Note 3 Risk management, continuation

Credit risk

Operational credit risk is the risk that Akelius' customers will not meet their payment obligations. Country managers are responsible for establishing provisions for impairment representing their estimate of incurred losses. The provisions include individual exposures and collective loss component based on historical information.

Trade receivables 2014

SEK million	Gross	Impairment
due 0-30 days	36	0
due 31-60 days	6	0
due 61-90 days	4	0
due more than 90 days	42	-25
Total	88	-25

Provisions for bad debts, trade

SEK million	2014	2013
Provision at Jan 1	0	-
Provisions recognized for potential losses	24	-
Translation differences	1	-
Closing balance, Dec 31	25	-

Trade receivables 63 (61) are reported net of provisions for doubtful accounts and other impairments amounting to 24 (0).

Provisions for doubtful accounts and impairments losses recognised in the income statement totalled 24 (0).

Capital risk

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, issue new shares, convert debt into equity or sell assets to reduce debt.

The group monitors capital on the basis of the equity to assets ratio. This ratio is calculated as the equity in relation to total assets. At the end of the period, equity was SEK 22,583 million, equivalent to an equity to assets ratio of 38 per cent. See note 25 for additional information.

Note 3 Risk management, continuation

Fair value of financial instruments

The fair value of a financial instrument traded on an active market is based on valuations using appropriate market data. The appropriate bid price is used for financial assets while the appropriate ask price is used for financial liabilities. Fair value of derivatives instruments is calculated as the current value of future cash flows. Fair value for financial liabilities is calculated by discounting the future contracted cash flows to the current market interest rate.

For trade receivables and trade payables, the nominal value less any reduction in value is assessed to correspond to fair value.

The valuation of financial instruments can be classified in different value levels depending on how the underlying data for judging fair value can be obtained.

Value levels

Level 1

Listed prices on active markets for identical assets and liabilities.

Level 2

Observable data for the asset or liability other than listed prices included in Level 1.

Level 3

Data for the asset or liability that is not based on observable market data. Fair value for borrowings through listed bonds are reported according to Level 1 and other borrowings are reported according to level 2.

The fair value of interest rate swaps that are not traded on an active market is established using valuation methods.

Estimates of the fair value of derivatives are based on level 2 of the fair value hierarchy.

Compared to 2013, no transfers have occurred between the different levels of the hierarchy, and no significant changes have been made regarding the valuation method.

Cash flow in the derivative contracts is compared with the cash flow that would have been received if the contracts were concluded at market prices on the closing date. The difference in the cash flows is discounted using an interest rate that takes into account the credit risk.

In such cases, the fair value is established by discounting the future cash flows to the current market interest rate for equivalent instruments.

In the case of financial instruments such as accounts receivable and accounts payable for which observable market information is not available, the fair value is judged to agree with the book value since these instruments have short durations. The instruments are recognised at accrued acquisition value with deductions for any impairment.

Note 3 Risk management, continuation

Financial instruments by fair value hierarchy at December 31, 2014

	Fair value through profit and loss	Loans and receivables	Financial liabilities measured at amortised costs	Total book value	Level 1	Level 2	Level 3	Total fair value
Assets								
Trade and other receivables	-	728	2	730	-	730	-	730
Cash and cash equivalents	-	278	-	278	-	278	-	278
Total	-	1,006	2	1,008	-	1,008	-	1,008
Liabilities								
Borrowings	-	-	30,336	30,336	1,199	29,137	-	30,336
Derivatives	2,519	-	-	2,519	-	2,519	-	2,519
Other financial liabilities	-	935	-	935	-	935	-	935
Total	2,519	935	30,336	33,790	1,199	32,591	-	33,789

Financial instruments by fair value hierarchy at December 31, 2013

	Fair value through profit and loss	Loans and receivables	Financial liabilities measured at amortised costs	Total book value	Level 1	Level 2	Level 3	Total fair value
Assets								
Derivatives	100	-	-	100	-	100	-	100
Trade and other receivables	-	748	-	748	-	748	-	748
Cash and cash equivalents	-	59	-	59	-	59	-	59
Total	100	807	-	907	-	907	-	907
Liabilities								
Borrowings	-	-	25,521	25,521	1,021	24,500	-	25,521
Derivatives	1,520	-	-	1,520	-	1,520	-	1,520
Other financial liabilities	-	787	-	787	-	787	-	787
Total	1,520	787	25,521	27,828	1,021	26,507	-	27,507

The difference between fair value and carrying amount value is due to that certain liabilities are reported at their amortised cost.

The book value of trade and other receivables is assessed to be the same as the fair value since the credit periods are short.

Note 4 Estimates and judgments

The preparation of the financial statements requires management's judgement and the use of estimates and assumptions that affect the amounts reported in the consolidated statements.

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the prevailing circumstances.

The following estimates and judgements have been significant for Akelius:

Property valuation

Property valuation is described on page 38, Portfolio valuation.

Deferred tax assets

Deferred tax assets are recognised for temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes and tax loss carry-forwards.

Akelius records deferred tax assets based on managements' estimates of future taxable profit in different tax jurisdictions. The actual results may differ from these estimates, due to changes in the business climate and in tax legislation.

Acquisition property from related-party

Properties were purchased in England from fellow subsidiaries for SEK 2,119 million. Management estimates that the transaction was subject to market terms.

Preference share issue

Akelius issued preference share for SEK 4,020 million during 2014. According to IFRS, preference shares that do not have a fixed maturity, and where the issuer does not have a contractual obligation to make any payment are equity.

Even though the preference share terms and conditions stipulate that Akelius is able to redeem the shares based on a board meeting decision, management estimates that it is very unlikely that it could happen or very far in the future.

As a consequence, preference shares were classified as equity from the date of the first issuance.

Hybrid boan

During 2014, Akelius Residential Property's German subsidiary, Akelius GmbH, took a hybrid bond loan of EUR 150 million.

According to IFRS only a perpetual, subordinated bond that is unlikely to be redeemed before expiration can be classified into equity as opposed to liabilities, in balance sheets.

Management estimates that it was very unlikely that the hybrid loan will be redeemed. As a consequence the hybrid loan is classified as equity.

Note 5 Segment reporting

The division into segments comprises the geographic areas Sweden, Germany, Canada, England and France. Sweden and Germany are material to the Group and are therefore reported separately. Canada, England and France are reported together in the segment "Other". The geographic areas correspond to the internal reporting structure. The division of responsibility for financial performance between segments also includes operating surplus and change in fair value for investment property. Invest-

ment properties are divided by segment in balance sheet items. Operations in Canada were acquired from the Parent Company, Akelius Apartments Ltd, at the end of December 2013, and as such the Canadian operations have not affected the Group's operating surplus for 2013.

Operations in England were acquired from the Parent Company, Akelius Apartments Ltd, at the end of March 2014, and as such have partially affected the Group's operating surplus for 2014.

Segment reporting Jan - Dec 2014

SEK millions	Sweden	Germany	Other	Total
Rental income	2,101	1,249	251	3,602
Operating costs	-842	-438	-126	-1,406
Maintenance	-196	-101	-16	-314
Operating surplus*	1,063	710	109	1,882
Central administration	-	-	-	-54
Other income and expenses	-	-	-	-14
Net gain on revaluation of investment properties	838	391	183	1,412
Operating profit	-	-	-	3,226
Interest income	-	-	-	7
Interest expenses	-	-	-	-1,191
Other financial income and expenses	-	-	-	-39
Change in fair value of derivative financial instruments	-	-	-	-1,149
Profit before tax	-	-	-	852
Operating surplus	1,063	710	109	1,882
Change in fair value	838	391	183	1,412
Total property return	1,901	1,101	292	3,294
Total property return, per cent	7.1	7.1	16.6	7.5
Property fair value	29,571	21,171	6,994	57,736

*) There is no material intercompany transactions between the segments in the operating surplus.

Note 5 Segment reporting, continuation

Segment reporting Jan- Dec 2013

SEK millions	Sweden	Germany	Other	Total
Rental income	2,038	987	-	3,025
Operating costs	-789	-354	-	-1,143
Maintenance	-231	-72	-	-303
Operating surplus	1,018	561	-	1,579
Central administration	-	-	-	-55
Other income and expenses	-	-	-	-85
Costs related to property sales	-	-	-	-
Net gain on revaluation of investment properties	815	729	25	1,569
Operating profit	-	-	-	3,008
Interest income	-	-	-	8
Interest expenses	-	-	-	-1,203
Other financial income and expenses	-	-	-	-54
Change in fair value of derivative financial instruments	-	-	-	1,138
Profit before tax	-	-	-	2,897
Operating surplus	1,018	561	-	1,579
Change in fair value	815	729	25	1,569
Total property return	1,833	1,290	25	3,148
Total property return, per cent	7.8	10.8	-	8.9
Property fair value	26,797	15,549	1,758	44,104

Note 6 Rental income

SEK millions	Group		Parent Company	
	2014	2013	2014	2013
Income from residential properties	3,207	2,670	-	48
Income from commercial properties	308	270	-	1
Income from other properties	58	55	-	2
Other income	28	30	-	-
Total	3,602	3,025	-	51

All investment properties are let to tenants under operating leases and generate rental income. Future rental income attributable to non-cancellable operating leases is distributed as follows:

SEK millions	Group	
	2014	2013
within 1 year	877	17
between 1 and 5 years	227	172
later than 5 years	105	50
Total	1,209	239

Note 7 Operating costs

SEK millions	Group		Parent Company	
	2014	2013	2014	2013
Usage bonds costs	-587	-533	-	-10
Operating expenses	-362	-311	0	-5
Property tax	-99	-66	-	-1
Site leasehold fee	-4	-4	-	-
Property administration costs	-353	-229	-	-3
Total	-1,406	-1,143	0	-18

Employee costs included in property administration costs are disclosed in note 10, Employees and salaries costs.

Note 8 Other income and expenses

SEK millions	Group		Parent Company	
	2014	2013	2014	2013
Income from group companies	11	3	17	55
Cost of sale of properties	-20	-37	-	-
Loss and gain on disposal of other assets	2	1	-	-
Owner occupied property cost	-	-31	-	-
Depreciation of investment property	-	-	-	-2
Depreciation office equipment	-8	-5	0	-
Write down of goodwill	-	-21	-	-
Other income	9	5	-1	8
Total	-14	-85	16	61

Real estate's acquisition value is depreciated linearly as follows:

Group

Property, plant and equipment 20 per cent

Parent Company

Investment property 0.75 per cent

Note 9 Audit costs

PWC SEK millions	Group		Parent company	
	2014	2013	2014	2013
Audit assignments	8	4	1	-
Other audit activities	1	1	-	-
Tax advice	6	4	1	2
Other assignment	2	1	1	1
Total	17	10	3	3

Note 10 Employees – costs and benefits

Average number of employees

	2014			2013		
	Women	Men	Total	Women	Men	Total
Parent Company						
Sweden	7	12	19	26	22	48
Subsidiaries						
Sweden	79	90	169	44	47	91
Germany	46	53	99	39	43	82
Canada	24	27	51	-	-	-
England	4	7	11	-	-	-
France	0	1	1	-	-	-
Total	160	190	350	109	112	221

Salaries and other remuneration

SEK millions	Group		Parent Company	
	2014	2013	2014	2013
- Board members and senior management	18	14	6	9
- Other employees	138	91	11	20
Total salary and remuneration	157	105	18	29
Contractual pension benefits	11	26	4	21
Other social costs	38	31	6	12
Total	206	162	27	62

Note 10 Employees – costs and benefits, continuation

Remuneration and other benefits to the Board of Directors and Group management 2014

SEK millions	Salary and other remuneration	Pension costs	Social costs	Total	Number of preference shares holdings at 31 Dec 2014
Chairman of the Board, Leif Norburg	0.3	-	-	0.3	2,730
Other Board Members					
Anders Janson	0.1	-	-	0.1	800
Igor Rogulj	0.1	-	0	0.1	-
Staffan Jufors*)	0.1	-	0.1	0.2	279
Michael Brusberg*)	-	-	-	-	1,000
Group Management					
CEO and Managing Director, Pål Ahlsén	2.1	0.3	0.7	3.1	450
Other members of Group Management	15.6	2.0	3.3	20.9	5,260
Total	18.3	2.3	4.1	24.7	10,519

*) Staffan Jufors and Michael Brusberg are Board members since August 2014.

Remuneration and other benefits to the Board of Directors and Group Management 2013

SEK millions	Salary and other remuneration	Pension costs	Social costs	Total	Number of preference shares holdings at Dec 31, 2013
Chairman of the Board, Leif Norburg	0.3	-	-	0.3	-
Other Board Members					
Anders Janson	0.1	-	-	0.1	-
Igor Rogulj	0.1	-	0	0.1	-
Group Management					
CEO and Managing Director, Pål Ahlsén	1.9	0.3	0.7	2.9	-
Other members of Group Management	12.2	19.0	5.8	37.0	-
Total	14.6	19.3	6.5	40.4	-

Note 10 Employees – costs and benefits, continuation

Group management

Other senior management comprises 10(9) employees of which 1(1) woman. The Managing Director is entitled to a loyalty bonus due in 2018. Salaries and other remuneration to the other members of Group Management only comprise fixed salaries paid during 2014.

Board of Directors

Board fees to the chair and other members are paid in accordance with the decision of the Annual General Meeting, which among other things means that a member who is employed by the Akelius Group receives no board fee. Board members are able to invoice their fees via an external legal entity. Remuneration to the board refers

to the annual fees decided by the AGM. No variable remuneration or bonuses have been paid.

Termination of employment

The Managing Director and four other members of Group Management are entitled to six to twelve months' salary if the company terminates their employment. Group Management members have three to six months notice to terminate their employment.

Note 11 Revaluation of investment properties

Revaluation of investment properties 2014

SEK millions	Sweden	Germany	Canada	England	France	Total
Realised change in value	117	-	1	2	-	120
Unrealised change in value	720	393	144	50	-14	1,293
Total	837	393	145	52	-14	1,412

Revaluation of investment properties 2013

SEK millions	Sweden	Germany	Canada	England	France	Total
Realised change in value	153	-	-	-	-	153
Unrealised change in value	662	729	25	-	-	1,416
Total	805	729	25	-	-	1,569

Additional information regarding unrealised change in value is disclosed on page 38 Portfolio valuation.

Note 12 Profit from shares in subsidiaries

SEK millions	Parent Company	
	2014	2013
Proceeds from sale of subsidiaries	-	761
Carrying amount sold shares	-	-261
Written-down shares in subsidiaries	-	-22
Proceeds from dividend	-	20
Total	-	498

Note 13 Financial income and expenses

SEK millions	Group		Parent Company	
	2014	2013	2014	2013
Interest income	6	4	0	-
Interest income from group companies	1	4	833	606
Foreign exchange gain, net	-	-	259	50
Other financial income	1	-	0	-
Financial income	8	8	1,093	656
Interest expenses	-1,026	-1,008	-218	-139
Interest expenses from group companies	-166	-195	-815	-816
Foreign exchange loss, net	-	-	-	-
Cost from deposit operation	-6	-6	-	-
Other financial expenses	-33	-48	-68	-9
Financial expenses	-1,231	-1,257	-1,101	-964
Financial expenses, net	-1,223	-1,249	-8	-308

Interest expenses decreased in 2014 due to the decrease in the average interest rate on total borrowings.

Note 14 Appropriations

SEK million	Group		Parent company	
	2014	2013	2014	2013
Group contribution	1	-27	-138	-106
Total	1	-27	-138	-106

Note 15 Taxes

Income tax expense, SEK millions	Group		Parent Company	
	2014	2013	2014	2013
Current tax	-7	-4	0	-1
Deferred tax	-343	-673	137	95
Total	-350	-677	137	94

Reconciliation of the company's tax based on the national tax for the country as compared to the actual tax expense:

SEK millions	Group		Parent Company	
	2014	2013	2014	2013
Profit before tax	852	2,897	-624	382
Tax based on national rates	-238	-620	137	-84
- in per cent	27.9	21.4	22.0	22.0
Non-taxable income and non-deductible expenses	-6	-18	-	32
Change in tax rate, deferred tax	-19	-144	-	-
Tax loss carried forward not capitalised	-87	105	1	146
Income tax expense	-350	-677	137	94
Effective tax rate, per cent	41.0	23.4		

The national tax rates are 22.0 (22.0) per cent in Sweden, 30.175 (30.175) per cent in Germany, and 26.5 (25.0) per cent in Canada, 20.0 (24.0) per cent in England and 33.3 (-) per cent in France.

Note 15 Taxes, continuation

Change in deferred taxes in the balance sheet

SEK millions	2014			2013		
	Assets	Liabilities	Net balances	Assets	Liabilities	Net balances
Group						
Opening balance, 1 Jan	663	2,695	2,032	721	2,028	1,307
Acquisitions	-	-	-	12	86	74
Sold properties	-	-23	-23	-	-23	-23
Changes to profit for the year	-642	-299	343	-84	590	674
Translation difference	4	26	23	0	0	0
Netting	-16	-16	0	14	14	0
Closing balance, 31 Dec	9	2,384	2,375	663	2,695	2,032
Parent Company						
Opening balance, 1 Jan	240	0	-240	153	8	-145
Changes to profit for the year	137	-	-137	87	-8	-95
Netting	-	-	-	-	-	-
Closing balance, 31 Dec	377	0	-377	240	0	-240

Nature of deferred taxes

SEK millions	Net	Change	Sold	Transl.	Net
	balance	in income			assets
	1 Jan	statement			31 Dec
Group					
Investment properties	2,681	603	23	-23	3,284
Derivatives	-328	-251	-	-	-579
Tax loss carried forward	-321	-21	-	-	-345
Other	-	16	-	-	16
Total	2,032	343	23	-23	2,375
Parent Company					
Derivatives	-51	-97	-	-	-148
Tax loss carried forward	-189	-39	-	-	-228
Total	-240	-137	-	-	-377

The gross amount of tax loss carried forward capitalised is SEK 1,503 million (1,364) for the Group. The gross amount of tax loss carried forward not capitalised is SEK 1,035 million (858) and has no maturity.

Note 16 Investment properties

Change in fair value investment property portfolio in 2014

SEK millions	Sweden	Germany	Canada	England	France	Total
Opening balance	26,797	15,549	1,758	-	-	44,104
Investments	932	647	139	162	1	1,881
Change in fair value	837	393	145	52	-14	1,412
Purchases	2,078	3,384	1,092	2,953	172	9,678
Sales	-1,072	-	-4	-8	-	-1,084
Translation differences	-	1,199	302	237	7	1,745
Closing balance	29,571	21,171	3,432	3,395	166	57,736

Change in fair value investment property portfolio in 2013

SEK millions	Sweden	Germany	Canada	England	France	Total
Opening balance	23,456	11,981	-	-	-	35,437
Investments	964	568	-	-	-	1,531
Change in fair value	815	728	25	-	-	1,569
Purchases	3,350	1,818	1,733	-	-	6,901
Sales	-1,801	-	-	-	-	-1,801
Reclassification*	13	-	-	-	-	13
Translation differences	-	454	-	-	-	454
Closing balance	26,797	15,549	1,758	-	-	44,104

*) Owned used property was reclassified to investment property for SEK 13 million.

See page 38, Valuation properties, for additional information.

Note 17 Tangible and intangible fixed assets

Tangible assets SEK millions	Group		Parent Company	
	2014	2013	2014	2013
Acquisition value				
Opening balance	55	45	2	2
Investments	6	9	-	-
Reallocation	-9	-	-	-
Business combination	4	0	-	-
Translation difference	2	-	-	-
Closing balance	58	55	2	2
Amortisation and impairment losses				
Opening balance	-37	-31	-2	-2
Reallocation	6	-	-	-
Impairment for the period	-5	-5	0	-
Translation difference	-1	-	-	-
Closing balance	-37	-37	-2	-2
Carrying amounts				
At 1 Jan	18	14	0	0
At 31 Dec	21	18	0	0
Intangible assets SEK millions				
Acquisition value				
Opening balance	-	-	-	-
Investments	14	-	5	-
Translation difference	-	-	-	-
Closing balance	14	-	5	-
Carrying amounts				
At 1 Jan	-	-	-	-
At 31 Dec	14	-	5	-

Intangible assets are related to software from data systems supporting the organisation.

Note 18 Shares in subsidiaries

SEK millions	Parent Company	
	2014	2013
Opening balance, acquisitions	11,077	9,825
Acquisitions	0	145
Capital contribution	2,464	1,377
Disposal through sale	-	-271
Closing balance, acquisitions	13,541	11,077
Opening balance, write-downs	-271	-258
Additional write-downs	-	-22
Disposal through sale	-	10
Closing balance, accumulated write-downs	-271	-271
Closing balance	13,270	10,806
Opening balance	10,806	9,567
Shareholder contribution	2 464	1 377
Acquisition	0	145
Sales	-	-261
Impairment	-	-22
Closing balance	13,270	10,806

Shares in subsidiaries

Company	Identity No.	Domicile	Share	Shares	Net book value
Akelius Fastigheter Ödlan i Helsingborg AB	556644-7727	Danderyd	100%	100	0
Akelius GmbH	-	Berlin	94.9%	-	5,977
Akelius Holding AB	556705-7673	Danderyd	100%	1,000	0
Akelius Hotell och Fastigheter AB	556650-2414	Danderyd	100%	5,000	0
Akelius Kanada AB	556709-6564	Danderyd	100%	1,000	145
Akelius Lgh Kullen Västra 58 AB	556661-3823	Danderyd	100%	1,000	0
Akelius Lots GmbH & CoKG	-	Berlin	94.9%	-	250
Akelius Lägenheter AB	556549-6360	Stockholm	100%	20,541,962	5,692
Akelius Lägenheter Krokodilen 11 AB	556709-3363	Danderyd	100%	1,000	1
Akelius Lönnlöven AB	556878-6502	Danderyd	100%	1,000	1,100
Akelius Spar AB (publ)	556618-8123	Gothenburg	100%	10,000	106
Akelius Lärjungen Lägenheter 40 AB	556876-5498	Danderyd	100%	1,000	0
Akelius UK Holding 1 AB	556709-6028	Danderyd	100%	1,000	0
Akelius France 1 AB	556878-6494	Danderyd	100%	1,000	0
Closing net book value					13,270

Note 19 Non-current other receivables, trade receivables and current other receivables

Trade receivables are primarily attributable to residential tenants.

Receivables from group companies are attributable to transactions from the Parent company to fellow subsidiaries.

Intragroup loans are subject to market terms and are without collateral.

See note 3 for additional information.

SEK millions	Group		Parent Company	
	2014	2013	2014	2013
Receivables from group companies	5	7	1,055	3,262
Promissory notes	2	79	-	-
Pledged bank accounts*	108	116	-	-
Other non-current receivables	4	2	-	-
Non-current receivables	119	204	1,055	3,262
Trade receivables	63	61	-	-
Receivables from group companies	36	2	7,911	82
Prepayments for properties	235	260	-	-
Prepaid expenses and accrued income	155	172	58	6
Promissory note	1	-	-	-
Other current receivables	122	49	7	2
Current receivables	612	544	7,976	90
Total	730	748	9,031	3,352

*) Pledged bank accounts are mainly guarantees to banks in relation to swap transactions.

Note 20 Cash and cash equivalents

SEK millions	Group		Parent Company	
	2014	2013	2014	2013
Bank deposits	278	59	155	1
Total	278	59	155	1

Change in liquid assets is presented in the cash flow statements. Cash and cash equivalents include mainly bank balances. The Group has unutilised credit facilities, which are not included in cash and cash equivalents, of SEK 1,488 (1,538).

Note 21 Borrowings

Unsecured loans encompass two listed bond loans, borrowing from the public and loans from group companies. In the end of June 2014 Akelius issued a new bond loan of SEK 350 million within a frame-work of SEK 1,500 million. Both bond loans are listed on Nasdaq First North.

In 2014, the borrowings were denominated in the following currencies: SEK 17,728 million (15,915), EUR 1,056 million (8,989), CAD 163 million (611), GBP 112 million (4).

Assets pledged as collateral for mortgages has increased from SEK 25,545 million at the end of 2013 to SEK 28,995 million, primarily related to the purchase of properties

At the end of the period, available funds in the form of cash and secured but unutilized credit facilities totaled SEK 1,765 million, compared to SEK 1,597 million at the end of 2013.

Most borrowings contain financial covenants, specific to each counterpart. Loan-to-value and interest coverage ratio are the most common for Akelius.

See note 3 and page 42 to 44 for additional information on finance policy.

Maturity, borrowings in 2014 for the Group

	Fixed interest rates				Capital tied up			
	Secured borrowing	Unsecured borrowing	Total borrowing	Share, per cent	Secured borrowing	Unsecured borrowing	Total borrowing	Share, per cent
0-1 year	7,243	1,338	8,581	28	2,408	1,408	3,816	13
1-2 years	1,507	631	2,138	7	6,313	911	7,224	24
2-5 years	10,136	500	10,636	35	12,471	350	12,821	42
more than 5 years	8,780	200	8,980	30	6,475	-	6,475	21
Total	27,666	2,670	30,336	100	27,666	2,670	30,336	100
Average, years	4.4	1.9	4.2					
Average interest, per cent	3.8	5.3	3.9					

Maturity, borrowings in 2013 for the Group

	Fixed interest rates				Capital tied up			
	Secured borrowing	Unsecured borrowing	Total borrowing	Share, per cent	Secured borrowing	Unsecured borrowing	Total borrowing	Share, per cent
0-1 year	3,216	888	4,104	16	2,547	576	3,123	12
1-2 years	513	-	513	2	6,461	1,012	7,473	29
2-5 years	9,554	1,025	10,579	42	8,603	1,025	9,628	38
more than 5 years	9,189	1,136	10,325	40	4,861	436	5,297	21
Total	22,472	3,049	25,521	100	22,472	3,049	25,521	100
Average, years	5.3	3.3	5.0					
Average interest, per cent	4.4	7.2	4.8					

Note 21 Borrowings, continuation

Maturity, borrowings in 2014 for the Parent Company

	Fixed interest rates				Capital tied up			
	Secured borrowing	Unsecured borrowing	Total borrowing	Share, per cent	Secured borrowing	Unsecured borrowing	Total borrowing	Share, per cent
0-1 year	146	5,463	5,609	53	68	4,834	4,902	47
1-2 years	-	631	631	6	3,091	911	4,002	38
2-5 years	2,242	-	2,242	21	1,265	350	1,615	15
more than 5 years	2,037	-	2,037	20	-	-	-	-
Total	4,425	6,094	10,519	100	4,425	6,094	10,519	100
Average, years	8.0	0.9	4.0					
Average interest, per cent	5.4	5.0	5.2					

Maturity, borrowings in 2013 for the Parent Company

	Fixed interest rates				Capital tied up			
	Secured borrowing	Unsecured borrowing	Total borrowing	Share, per cent	Secured borrowing	Unsecured borrowing	Total borrowing	Share, per cent
0-1 year	3,027	3,966	6,993	98	1,516	2,954	4,470	62
1-2 years	-	125	125	2	99	1,012	1,111	16
2-5 years	-	-	-	-	1,412	125	1,537	22
more than 5 years	-	-	-	-	-	-	-	-
Total	3,027	4,091	7,118	100	3,027	4,091	7,118	100
Average, years	11.9	0.3	7.7					
Average interest, per cent	5.8	5.2	5.6					

Note 22 Derivatives

SEK million	Group		Parent company	
	2014	2013	2014	2013
Interest rate swaps				
Assets	-	100	-	-
Liabilities	-2,482	-1,520	-616	-231
Foreign exchange forwards				
Assets	-	-	-	-
Liabilities	-37	-	-	-
Total net fair value	-2,519	-1,420	-671	-231
Nominal value	20,402	17,483	7,559	4,152

Derivative transactions are undertaken with approved counterparts for which credit limits exist and with which International Swaps and Derivatives Association master agreements and Credit Support agreements are in force.

Derivative transactions may only be entered by Group Finance at head office. No financial assets or liabilities are offset in the balance sheet.

Derivate instruments subject to master netting agreements as of 31 December 2014

SEK millions	Gross	Offset in balance sheet	Net in balance sheet	Master netting agreement	Collateral	Net position
Derivative assets	0	-	0	-	-	0
Derivative liabilities	-2,519	-	-2,519	-	-	-2,519

Note 23 Non-current other liabilities, trade payables and current other liabilities

SEK millions	Group		Parent Company	
	2014	2013	2014	2013
Rent deposits	33	15	-	-
Other payables	0	10	-	-
Non-current other liabilities	33	25	-	-
Trade payables	280	199	2	6
Prepaid rental income	208	347	-	-
Accrued interest expenses	136	117	-	-
Other accrued expenses	183	13	96	22
Other current payables	128	86	139	-
Trade payables & current other liabilities	935	762	238	28
Total	968	787	238	28

Note 24 Pledged assets and contingent liabilities

Pledged assets, SEK millions	Group		Parent Company	
	2014	2013	2014	2013
Pledged bank assets	108	116	-	-
Property mortgages	28,995	25,545	-	-
Shares in subsidiaries	814	435	380	-
Total	29,918	26,096	380	0

Contingent liabilities, SEK millions	Group		Parent Company	
	2014	2013	2014	2013
Guarantees on behalf of subsidiaries	-	-	22,845	19,049
Other guarantees	29	336	-	336
Total	29	336	22,845	19,385

Note 25 Equity

At the end of the year, equity was SEK 22,583 million, equivalent to an equity to assets ratio of 38 per cent.

During the year, Akelius Residential Property declared a dividend of SEK 4,200 million, registered a common share issue for SEK 5,003 million, issued preference shares for SEK 4,020 million and recognised a EUR 150 million hybrid bond loan in equity.

Akelius Residential Property has also implemented a share split, entitling shareholders to receive 4,449 new shares for each share owned.

Registration of preference shares

During the second quarter, 3.4 million preference shares with an issue price of SEK 300 each were registered to a total amount of SEK 1,020 million. During the third quarter, an additional SEK 9.4 million preference shares with an issue price of SEK 320, totalling SEK 3,000 million, were registered. Each preference share provides an annual dividend of SEK 20, with quarterly payments of SEK 5. Akelius' Certified Adviser is Avanza Bank. Akelius' preference shares are listed on Nasdaq First North. On 31 December 2014, the price paid per preference share was SEK 327.5. The dates for preference share dividends were determined by an extraordinary general meeting. The next payment will take place on the 5 February 2015. On 5 November 2014, Akelius paid a dividend of SEK 64 million to the owners of preference shares. A total of SEK 81 million was paid in 2014.

The number of shares and votes owned by Akelius Residential Property AB's shareholders are as follows:

	Number of shares	Shares, per cent	Voting rights	Total votes	Votes, per cent
Akelius Apartment Ltd	2,592,324,000	89.53	1 vote	2,592,324,000	89.89
Xange holding Ltd	290,400,000	10.53	1 vote	290,400,000	10.07
Preference shares owners	12,775,000	0.44	1/10 vote	1,277,500	0.04
Total	2,895,499,000	100		2,884,001,500	100

Earnings per share

	2014	2013
Basic and diluted earnings per share	0.15	1.21
Basic and diluted weighted average number of shares outstanding	2,313,892,614	1,833,783,288

Note 26 Related-party transactions

The Group has related-party relationship with the company's largest shareholder, Akelius Apartments Ltd, Cyprus, owning 89.5 per cent of the total shares. Xange holding Ltd, Cyprus owns 10.1 per cent and the preference shareholders represent owns 0.4 per cent. Akelius' Board Members and

the Group Management are also related parties. Akelius Apartments Ltd is a subsidiary of Akelius Foundation, Bahamas and has a controlling influence over the Group.

The subsidiaries that are directly owned by the Parent Company are presented in note 18.

SEK millions	Group	
	2014	2013
Transactions with companies within the Akelius Foundation Group		
Acquisition properties	2,119	290
Borrowings	4,334	2,220
Hybrid bond registered in equity	1,365	-
Purchase of financial services	165	253
Sale of financial services	-	65
Sales of other services	-	9
Transactions with companies controlled by Board Members and other senior executives		
Acquisition of services	2	8
Acquisition of fixed assets	-	1,034

*) In 2014, Akelius Residential AB bought properties in England from a fellow subsidiary for SEK 2,119 million.

***) Borrowings and hybrid loan are mainly with Akelius Apartment Ltd.

Related-party transactions have taken place on market terms and conditions. See note 10 for disclosures on remuneration to the Board and Senior executives and note 13 for disclosures on intragroup interest income and expenses.

No Board Members or senior executive has directly or indirectly participated in any business transaction with Akelius other than those disclosed in this note or note 10.

Signatures

To the best of our knowledge the annual accounts have been prepared using generally accepted accounting policies. The annual accounts give a true and fair view of the company's financial position and performance and the administration report gives a fair review of the development of the company's operations, financial position and performance and describes the principal risks and uncertainties facing the Group.

The consolidated accounts have been prepared in accordance with the international set of accounting standards referred to in Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The consolidated accounts give a true and fair picture of the Group's financial position and performance and the administration report gives a fair review of the development of the Group's operations, financial position and performance and describes the principal risks and uncertainties facing the Group and the companies in the Group.

Danderyd, 16 March 2015

Leif Norburg
Chair of the Board

Anders Janson

Staffan Jufors

Pål Ahlsén
Managing Director

Igor Rogulj

Michael Brusberg

Our audit report for these annual accounts was issued on 18 March, 2015.

Öhrlings PricewaterhouseCoopers AB

Mats Nilsson
Chartered Accountant
Auditor in charge

Stina Carlson
Chartered Accountant

Definitions

Capital tied up	Average capital tied up is calculated taking secured but unutilised credit commitments into consideration.
Equity to assets ratio	Equity in relation to total assets.
Interest coverage ratio, secured loans	Profit/loss before income tax with add-back of depreciation, impairment charges, the cost of property sales, interest expenses, changes in value of assets and liabilities in relation to interest expenses for secured loans.
Interest coverage ratio, total loans	Profit/loss before income tax with add-back of depreciation, impairment charges, the cost of property sales, interest expenses, changes in value of assets and liabilities in relation to interest expenses for all loans.
Loan-to-value, secured loans	Secured interest-bearing liabilities in relation to total assets.
Loan-to-value, total loans	Secured and unsecured interest-bearing liabilities in relation to total assets.
Operating surplus margin	Operating surplus in relation to rental income.
Real vacancy rate	The total number of vacant apartments less the number of apartments vacant due to renovation work or planned sales in relation to the total number of apartments. Real vacancy is measured on the first day after month-end.
Risk capital	Equity, deferred tax liabilities and unsecured interest-bearing liabilities.
Risk capital to assets ratio	Risk capital in relation to total assets.
Vacancy rate	The number of vacant apartments in relation to the total number of apartments.

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